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EDITORIAL

As We See It

Without doubt American business will survive the du Pont-General Motors decision rendered last week by the Supreme Court of the United States. It has found ways to live with and overcome many previous difficulties which were needless. That it has been able to do so is plain evidence that its fibre is tough. The urge to produce, to accumulate and to overcome obstacles lies deep in the breasts of business men, and it is fortunate indeed that such is the fact. This latest obstacle presented by the Supreme Court is but one of many that have come from that Court in recent years—and, of course, from the halls of Congress.

There can be no question, of course, that this du Pont-General Motors decision is a troublesome one. The dissenting justices didn't overstate the case when they said:

"The Court's decision is far-reaching. Although Section 7 of the Clayton Act was enacted in 1914 — over 40 years ago — this is the first case in which the United States or the Federal Trade Commission has sought to apply it to a vertical integration. Likewise, this appears to be the first case in which it ever has been argued that Section 7 is applicable to a stock acquisition which took place many years before.

"The Court, in accepting both of these contentions, disregards the language and purpose of the statute, 40 years of administrative practice, and all the precedents except one District Court decision. The sweeping character of the Court's pronouncement is further evident from the fact that to make its case the Court requires no showing of any misuse of a stock interest—either at the time of acquisition or subsequently—to gain pref-

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Status of Atomic Power

By K. D. NICHOLS, MAJ. GEN., U. S. A. (Retired)*
Atomic Energy Consultant, Washington, D. C., & former General Manager of the Atomic Energy Commission

Pressurized atomic water plants of two to four hundred thousand kilowatts competitive with coal-fired plants in the New England area within the next two years is predicted by atomic energy consultant in urging utilities to accelerate atomic power development for a variety of—nonsubstantive economic—reasons. In recounting the encouraging power progress made since 1954, General Nichols: advocates continuing and expanding the Government-free enterprise partnership; finds advisable retention of Government control over development of U235 separation plants for considerable time, and sees this output as the ultimate supply system for future atomic power.

In discussing the status of atomic power, I plan to cover the progress we are making from a technical and economic point of view, with emphasis on the progress we are making in developing a self-supporting atomic power industry. Prior to the 1954 Atomic Energy Act, first under the Manhattan Project and subsequently under the Atomic Energy Commission as prescribed by the Atomic Energy Act of 1946, there existed a virtual government monopoly over both the military and commercial aspects of atomic energy. The 1954 Act permits and encourages free enterprise to assume greater responsibility for the commercial development of atomic power.

Gen. K. D. Nichols

Passage of the 1954 Act has done much to accelerate the atomic power program in the United States. This acceleration is obvious to anyone who honestly and objectively compares the progress made in the development of commercial atomic power subsequent to the passage of the Act with that made

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*An address by Gen. Nichols before the 25th Annual Convention of Edison Electric Institute, Chicago, Ill., June 3, 1957.

Future of Power Business And of Power for America

By DONALD S. KENNEDY*
President, Edison Electric Institute
Chairman of Board, Oklahoma Gas & Electric Co.

Mid-West utility head predicts present total electric investment of $33 billion will rise in ten years to $65-$70 billion and, indicative of increasing trend of residential electric consumption, the coming years will develop an average of $1\frac{1}{2}$ new appliances per year. The key to the solution of the socialistic power problem, he also advises, lies in telling the facts to the people who react favorably once informed on the facts. Mr. Kennedy praises increased output efficiency attained; summarizes atomic energy developments; and is confident the American people will continue to finance future expansion.

During the past year the electric light and power industry has continued the rapid growth that has characterized it from the beginning. Demands for power have continued to increase. These demands have been met by careful planning and financing in advance. Large amounts of capital have been raised on the free market. Despite rising costs, the price of electricity has continued low and reasonable. Our relations with the public have been good; our member companies stand well in their communities. Great new projects have been started for the development of electric power using nuclear energy as fuel. Plans are being made to install ever-increasing amounts of capacity in the future, in anticipation of a continued increase in the use of electric power by the American people. As in the past, this expansion will be financed on the free market. This industry has continued to live up to its high engineering standards as we have continued to

Donald S. Kennedy

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*From a talk by Mr. Kennedy before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 3, 1957.

PICTURES IN THIS ISSUE—Candid shots taken on the occasion of the Annual Field Day of THE BOND CLUB OF NEW YORK appear on pages 33, 34, 35 and 36.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Atlas Sewing Centers, Inc.—William S. Baren, of Atwill & Co., Inc., Miami Beach, Fla. (Page 2)

Lone Star Steel Co. — R. Daniel Littlejohn, Longview, Texas. (Page 2)

WILLIAM S. BAREN
Atwill and Company, Inc.
Miami Beach, Fla.

Atlas Sewing Centers, Inc.

Atlas Sewing Centers, Inc. operates 40 retail stores and leased departments in 19 States throughout the growing South and West. The company retails sewing machines and vacuum cleaners manufactured to their specifications and sold under their own trade-marks.

Wm. S. Baren

The growth of this business has been fostered by an aggressive management who opened their first retail store only 10 years ago. During 1954 when the company had 15 retail outlets, a planned expansion program was initiated. By fiscal 1956, 28 stores were in operation and, during the present fiscal year, 12 new outlets have been added to the chain.

For the investor that is seeking a young company with a strong growth factor, Atlas Sewing Centers, Inc. common stock, which is now available at around $8.00 in the Over-the-Counter Market, is an interesting speculation.

Net earnings adjusted to the present shares issued and outstanding were reported for the year 1955 at 73 cents per share and $1.06 per share for the year 1956. For the nine months ended Feb. 28, 1957, net earnings after taxes were $1.00 per share, and it is estimated that for the year ended May 31, 1957, net earnings after taxes will total $1.35 per share. The company has no funded debt, no preferred and a single class of 1,000,000 shares of authorized common, of which 594,000 are now issued and outstanding.

Today, Atlas is considered the third largest retailer of sewing machines in the United States. During the current year, 12 new outlets have been opened and the expansion-minded management now operates 40 stores and leased departments in the following States: Alabama; Arizona; Arkansas; Colorado; Florida; Georgia; Indiana; Kansas; Kentucky; Louisiana; Mississippi; Nebraska; North Carolina; Oklahoma; South Carolina; Tennessee; Texas; Utah; and Virginia.

The company's products are sold direct to the consumer and the accounts receivable installment paper is financed through a revolving credit loan of $5,000,000 with a leading New York bank and 35 Southern banks.

The management has created a sound organization of regional supervisors and experienced store personnel and these people have been trained in methods of merchandising that have been proven successful. With no manufacturing problems and a simplified line of products to offer to an ever-increasing market in the most rapidly growing cities in the country, Atlas is not only engaged in a growth industry but is also conducting a business that has certain depression proof characteristics. The interest in home sewing both as a hobby and as a means of reducing family expenses in these days of climbing living costs is growing steadily throughout the country.

The company's products also combine the most advanced features and modern styling that are available in both sewing machines and vacuum cleaners. Testing, improving and re-styling of models to keep pace with advances in this competitive industry is going on constantly.

The alert Atlas management has installed in its Miami administrative offices Remington Rand's Univac electronic computers—the first large-scale punch-card Univac equipment to be installed in Florida. This system has contributed to efficiency and economy in handling the company's growing collection and auditing departments for its 40 stores.

As of Feb. 28, 1957, Atlas reported working capital of $4,195,000 with current assets of $8,832,535 and current liabilities of $4,636,735. Dividends currently are at the annual rate of 40 cents per share on the common, and in January, 1957, a 10% stock dividend was paid. At present levels, Atlas Sewing Centers, Inc. common offers a generous income based upon the cash dividend of approximately 5%, and it is available at about 5½ times estimated earnings.

It is the goal of this young and aggressive organization to eventually become the leading retailer of sewing machines and vacuum cleaners in the United States. For those seeking a low-priced growth stock of above-average quality, Atlas Sewing Centers, Inc. common offers interesting possibilities. The company's headquarters are located in Miami, Fla.

COMPARATIVE FINANCIAL STATISTICS

Year	Net Worth	Net Sales	Net Earnings
1954	$ 660,951	$3,393,576	$102,294
1955	$1,093,543	$5,457,160	$432,592
1956	$1,984,874	$7,474,183	$631,914
1957 (9 months) 2/28/57	$2,875,401	$7,820,588	$593,432
* * * *			
9 Mos Ended 2/29/56	$1,747,218	$5,286,930	$383,675
9 Mos. Ended 2/23/57	$2,875,401*	$7,820,588†	$593,432‡

*An increase of 65%. †An increase of 48%. ‡An increase of 55%.

R. DANIEL LITTLEJOHN
Stockbroker
Longview, Texas

Lone Star Steel

Recently a new park was dedicated in East Texas. The highlight of the ceremonies came as a time capsule was sealed, not to be opened for 100 years. In it, among other items, were placed 100 shares of Lone Star Steel stock. "Bankers estimate" the newspapers reported, "that the 100 shares will be worth over $1,000,000 by the time the capsule is opened." Just Texas-talk? Maybe, but to those of us who follow this interesting situation closely, too many ambitious estimates have already been surpassed to give any thought to scoffing now.

R. Daniel Littlejohn

Lone Star Steel is a completely integrated steel company. It is a government and RFC stepchild turned dynamic by some aggressive Texas businessmen, most of whom had never seen inside a steel plant. Among them is E. B. Germany, a former oil man, who took over the Presidency when the company was organized. His group was the highest bidder for the government built, World War II blast furnace and coke ovens which formed the nucleus of the operation. Price: "less than two-bits on the dollar."

Today its coal comes from its own coal fields less than 150 miles away, its iron ore from its own deposits less than 30 miles away. Strategically located in the heart of the oil country, it produces principally tubular goods for the oil and gas producing industry it serves. Its fascinating future lies behind these facts. 75% of the oil and gas drilling activity in the country lies within 500 miles of its door, and it is the only steel plant in the area producing this particular type of product. Lone Star currently supplies just 15% of the market in this area, and could easily capture a bigger share if supply could be increased to meet demand. All of its customers are served by short-haul truck freight, giving it a transportation advantage over its competitors of $8 to $10 a ton.

Lone Star's amazing growth can readily be seen in the annual report or statistical service reports. Here we are more concerned with the future, the earnings projections and emotional factors not found in such reports.

On April 1, 1957 there became outstanding 2,904,000 shares of common with $56,500,000 of mortgage indebtedness to the government. The stock trades in the Over-the-Counter Market and has had a 1957 range of 26 to 43.

To arrive at a valid conclusion about the stock, these facts weigh importantly with me. 1956 earnings were reported at $3.84 per share, more than double the previous year's $1.80. This amounted to 11c profit on each sales dollar, an impressive 50% better return than the industry leaders as a group obtained, and singularly the best return of any company in the industry. Obviously good management, both production and executive, and this same management says even more operating economies will be effected this year. To show they mean what they say, first quarter earnings were a record $1.25 per share (13c per sales dollar) with, President Germany states, each successive quarter indicating even higher earnings than the previous one. Giving effect to a 10% stock dividend paid April 1, earnings of $5 per share are indicated now for 1957 as a minimum, with estimates varying upwards considerably from there. "If I told you what I think we're gonna earn" Mr. Germany says, "the lawyers might get mad at me, so let's say something hedgy.

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Factors Affecting Availability Of Capital for Electric Industry

By ALBERT H. GORDON*
Partner, Kidder, Peabody & Company, New York City

Mr. Gordon discusses the electric utility industry's outstanding growth record, averaging 8% per year as against 7% for chemicals, and the excellence of the industry stockholder-wise, but warns no one should be more interested in the containment of inflation than utility management and stockholder. The investment banker refers to losses in past two-three weeks in sale of new bond issues, when step-by-step retreat in declining market was not fast enough, and states this illustrates inherent weakness of compulsory competitive bidding. For effective growth to attract more investors, recommends: increased earnings per share of common; healthy regulatory climate; continuous education; competent management; and competitive engineer recruitment.

For nearly four years the investment banking industry had to listen to the charges the Government brought against us for allegedly monopolizing the financial underwriting business. If Mr. Truman's Department of Justice had asked utility executives, they could have told the Department about our vigorously competitive attempts to get your business. But that answer would not have suited the Government. After we defended ourselves and after our legal bill had reached nearly $7,000,000 and just as we were about to speak about ourselves for the first time in years, Judge Medina dismissed the case for lack of evidence.

Albert H. Gordon

I am not going to talk further about ourselves other than to say that the electric power industry is an important part of our business life. Every week we are underwriting and distributing its securities; if it does well, so do we; and our retail customers, to whom we sell electric industry securities, also do well and will buy more stocks from us. I shall endeavor to appraise the investors' opinion of the electric utility industry. For on that opinion depends the ability to obtain funds.

And now to turn to the main stream of the subject—the availability of capital for the electric industry. The industry has come of age. The improvement in its financial status in the last 20 years is graphically illustrated by the substantial upgrading of the ratings of your bonds. For example, in 1937, Moody's classified 20% of its bonds as substandard, and 22% as Baa; by 1957 all the Ba ratings had disappeared and the percentage of Baa bonds had shrunk to 12½%. In other words, 87% of electric utility bonds are now rated A or better compared with 58% in 1937.

*An address by Mr. Gordon before the 25th Annual Meeting of the Edison Electric Institute, Chicago, Ill., June 4, 1957.

We in the investment business have direct knowledge of the excellence of the industry stockholder-wise. We have been benefited by the high quality of its performance. Though we tell our customers to whom we have sold common stocks, that we have done well for them, confidentially we admit that they should thank the electric industry and not us.

Inflation Reduces Savings

The excellent record, if continued, insures the electric industry's ability to obtain the additional funds necessary to supply the seemingly ever-increasing demand for electric energy, provided, of course, inflation and the resultant continued depreciation of the dollar do not inhibit the custom of so many Americans to invest in fixed-income securities through their selected investment channels. Let me emphasize that the threat of inflation exists today in practically all parts of the world. It has greatly increased the demand for capital in this country as well as others, but it has not correspondingly increased the supply of savings. The saver who has seen the purchasing power of his dollar decrease 57% since 1939, as measured by the Bureau of Labor Statistics Index of Wholesale Prices, is being discouraged from investing in fixed-income securities and many potentially thrifty people are not saving at all.

Speaking of bond purchasers, pardon me for mentioning a personal incident. Last Fall, in a trip with 50 other businessmen to Russia, I listened with interest to the satisfied statements of our guides and interpreters about their purchases of Soviet bonds. Incidentally, these mandatory purchases were paid for through check-offs at the rate of about one month's pay for every 12. The thoroughly indoctrinated guides boasted that this system was a wonderful boon for the workers in that it provided for their old age.

What a shock they must have had a few weeks ago when Mr. Khrushchev in a short ukase, declared interest on the bonds would be discontinued. I wonder how the guides will explain the bond situation now that their dreams

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Observations . . .

By A. WILFRED MAY

THAT FACTOR OF THE IMPONDERABLE

Once more — or rather twice more within the fortnight—are we reminded that an *imponderable* may confront the stock market at any time.

A. Wilfred May

While this week's stomach upset constituted a mild version—market as well as medical-wise —of the President's series of indispositions, it demonstrates anew the vulnerability of short-term market movements to off-the-calendar events, and the advantage of confinement of long-term investing policy.

As we again see, imponderability has two facets. One concerns the unexpected nature of the actual occurrence of the event. The second is bound up with the manner in which the investing community will react to the event after it has actually occurred. In the case of this week's Eisenhower illness, the question remains as to which school of thought is to prevail—those, who like the professionals rushing to liquidate on Monday, are ill guided by the general thought of "loss of confidence" and "uncertainty"; or on the other hand, those who may reason that even in the unfortunate event of a premature change in the Presidency, continuing welfare spending and inflation, would prevail as logical bullish factors. This set of alternatives being worrisome to the short-term but not to the confident long-term investor!

THE UNEXPECTED FROM THE LEGAL AREA

Again, the primary significance of the Supreme Court's ruling that the Du Pont Company's stock interest in General Motors has violated the antitrust laws lies in its reminder that *imponderability* remains as an ever-present overhanging factor.

With a lower Federal Court previously having dismissed the government's charges after seven months of hearing, how could the new ruling have been other than a complete surprise? And the company's future uncertainties involved are only beginning. How will the lower court, pursuant to the decision's mandate, implement the decision? Also taking into account the tax factor, will there be a spin-off of General Motors stock? May segregation possibly turn out to help increase Du Pont's sales to GM? How will the shareholders of Christiana Securities, the family-controlled entity holding Du Pont stock, now fare? Selling at $14,000 per share, will Christiana now be liquidated, and if so will the market price's discount of 11% from asset value be closed up to the gain of the stockholders? And if so, will there be an extra tax levy in the process, such as has discouraged this entity's liquidation in the past?

And consider the continuing imponderable impact in the broader area of finance and industry. To what extent could other existing mergers be affected? The dissenting justices warn that the Court is subjecting "a good-faith stock acquisition, lawful when made, to the hazard that the continued holding of the stock may make the acquisition illegal through unforeseen developments." And that "hereafter every corporation which has acquired a stock interest in another corporation after the enactment of the Clayton Act of 1914 and which has had business dealings with that corporation is exposed retroactively to the bite of the newly discovered teeth." Future policy by the Government via its Anti-trust Division's policy concerning the institution of further prosecutions constitutes another, a third-degree, set of imponderables.

And lastly, for the stockholder of Du Pont as well as all other companies, there is the market imponderable of psychological change in the public's attitude toward the market in general. This will control the ratio at which earnings are capitalized, apart from the great difficulties of predicting the said earnings.

* * *

BEAR ARGUMENT OBSOLETE?

The bearishly inclined, buttressed by last week's tight-money demolition of equities in Switzerland, are calling renewed attention to the ever greater competition to stock yields offered by the constantly higher return obtainable from bonds. Within the past year the yield on the Dow Jones Average of 10 Highgrade Bonds has risen from 3.71 to 4.46%, while the yield on the Average of 30 Industrial Stocks declined from 4.70 to 4.51%.

But on the other side of the medal is the intensified permanent de-popularization of the bond market ensuing from the very souring experience capital-wise of that area's investors as a result of that very yield rise. And this is apart from the inflation-hedging advantage of equities in contrast to fixed-interest—a trend now given an additional push by the Republican-Democrat spending race.

And it is apart from the fundamental advantage of ownership in American industry; a factor underlined by the reaction of any interested observer going abroad. Typical is the comment of Ralph E. Samuel, senior partner in the Stock Exchange firm bearing his name, reporting on a recent trip to Russia, "Behind the Iron Curtain American common stocks look like the greatest values that ever existed! First, because they're American and second because they represent American freedom, American productive skill and American 'drive'." A conviction not invalidated by any attribution of "cornyness."

* * *

Which item reminds us that the Administration's strong objection to permitting more of the Khruschev interview broadcasting here, whether or not endorsed by Senators Knowland and Johnson, is based on the theory that this might set a precedent for similar activities in other of the free nations, which because of their greater vulnerability, might result in successful infiltration.

THE TWIN MARKET LEADERS

With the market's strength flowing in the utility and now more particularly in the oil section, long-range justification is derivable from the extraordinary growth in the nation's demand for energy. In the post-war 1946-'56 period (according to data published by the Federal Reserve Board, World Oil and Edison Electric Institute), the nation's increase of 59% in industrial production has been exceeded by a rise of 80% in oil consumption and a gain of 170% in electric use. Citing these data, David L. Babson and Company, Investment Counsel, point out that these above-average growth rates stem basically from the expanding energy requirements of our highly mechanized civilization. Also that the year-to-year increases in electric use are more uniform than in the case of petroleum demand. What will be the impact in this area, and between the two industries, from the atomicizing of commercial energy during the next decade?

SPLIT DECISION ON URANIUM-TITANIUM

Exercise of investing selectivity, along with exceptionally forthright explanation of policy by managers of "other people's money" is currently demonstrated in the completely divergent appraisals of titanium metal and uranium stocks shown by the Blue Ridge Mutual Fund. Badgered by its stockholders as to why the portfolio has no investments in new glamorized titanium industry, President Milan D. Popovic frankly contradicts the acclaimed prospects on the grounds that with commercial uses negligible and likely to remain so unless costs are greatly reduced, the industry is almost entirely dependent on defense buying; that its uses, already limited, are constantly being threatened by nickel, molybdenum, thorium, magnesium, and beryllium; and that is actually faced with overproduction already.

"Everything is said except how

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Industrial production showed expansion the past week in the major segments of industry following a let-down in output in the Memorial holiday week.

In the automotive field, the industry is scheduling 517,000 cars for completion in June or an increase of 20% over the 430,373 units turned out in the same month a year ago. This step, "Ward's Automotive Reports" states, "is in keeping with the goal to bring the January to June auto building for the United States plants 6% ahead of the year-ago pace." In the construction industry a sharp rise in awards for both private and public construction lifted total dollar volume of contract awards 48% above that of the preceding week and 76.9% higher than a year ago, "Engineering News Record" reports. The most noticeable increases took place in industrial building and private mass housing.

Figures relative to unemployment in the latest period show that the number of newly laidoff workers claiming unemployment insurance declined by 7,700 to a total of 204,800 during the week ended June 1, the Bureau of Employment Security reported.

Insured unemployment dropped by 77,400 to a total of 1,286,-800 during the week ended May 26, continuing the decline that has been under way since February, the agency stated.

The total of new claims for the like period last year was 212,800. Insured employment at this time last year stood at 1,206,300.

Steel users may be cutting back on inventories for the rest of the year. At least that's the way some mills are beginning to size up the market. These mills say their customers' stocks of steel and finished products made of steel are still high and according to "The Iron Age," national metalworking weekly, and they don't look for a bottoming out on inventory correction until the fourth quarter.

The dismal outlook for July is pointed to as proof that unless there's a sudden change of heart on the part of many buyers, July output will go into the record as one of the lowest in several years. Vacations and maintenance slowdowns will drag down July production nearly as much as customer complacency.

By the fourth quarter, automotive and other major users will be back in the market and an upsurge in metalworking activity will reverse the trend and swing the pendulum from inventory cutbacks to inventory buildups in many industries, declares this trade authority. The auto companies already have placed trial orders for new model production.

Meanwhile, steel companies are supporting current output with incoming orders and backlogs. For some mills, the strong products — plates, structurals and seamless pipe — are holding operating rates at high levels. Mills heavy on sheet and strip capacity are bearing the brunt of the easier market.

Steel operations in June may be a few points better than in May, reflecting price hedging by some users who are pushing the mills for delivery of July orders in June.

The looked-for comeback in the fourth quarter is more than wishful thinking. For the last several years, the last four months of the year have been exceptionally strong for metalworking. For this reason, the mills expect a strong upsurge of orders by mid-September. These orders, "The Iron Age" adds, will be reflected in shipments for October and subsequent months.

Iron and steel scrap prices moved still higher this week. The mills apparently are straining to lay in a good supply of the better grades of scrap. A strong export market is another factor in the continuing rise in scrap prices, concludes this trade weekly.

Manufacturers', wholesalers' and retailers' sales were slightly lower in April while total inventories edged higher the United States Department of Commerce noted in a current report.

It stated that seasonally-adjusted manufacturing and trade sales totaled $55,500,000,000 in April. This was a drop of $900,000,-000 from the previous month's level. Most of the decline centered in sales of durable goods by manufacturers, which slipped $300,-000,000 during April.

Business inventories inched up to $89,200,000,000 at the end

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Generating Dividends

By IRA U. COBLEIGH

Enterprise Economist

Some lines on electric utilities, selected particularly for their capacities to pay, and increase, their dividends.

Motivation is now such a fashionable word that we just had to use it to start today's article. If you're a conservative and presumably prudent investor, what is your motivation for the purchase of utility commons? This is the sort of question we dote on, because it's so easy to answer logically. Sensible and resourceful people buy kilowatt commons because of the income presently offered, and the quite predictable prospects for enhancement of that income by dividend increases in the future. With utility commons, dividend stability has come to be taken pretty much for granted. It's how rapidly and frequently dividends can be increased that marks the preference for, and popularity of, certain issues. And this capacity to raise dividends with some regularity has had a pronounced and demonstrable geographic origin. The best utilities, viewed from the criterion of expanding dividends, have been in the South and Gulf South, the West and certain industrial areas of the middle West.

Ira U. Cobleigh

All of which suggests that you look at utilities today from one of two possible viewpoints. Either survey the field for (1) high current yield, most often found in slower growing companies (and territories) where a bigger percentage of net may be distributed because there is less urgency for enlarging generating and transmission capacity or (2) lower current yield coupled with a faster growth rate, a lower percentage of annual payout from net, but brighter hopes for rising cash dividend in years to come.

So if you accept this basic premise which, quite arbitrarily, divides utility equities into two groups—the stable and the growing varieties—then you're ready for the selections which follow.

First, the accent on current yield. Here our selections would be culled rather heavily from New England and New York. There's Housatonic Public Service paying $1.40 and yielding 6.33% at 22⅛; Green Mountain Power paying $1 and yielding 6.25% at 16; Maine Public Service paying $1.08 and yielding 6.10% at 17½; Niagara Mohawk Power paying $1.80 to yield 6% at 30. If you presently seek yields approximating 6%, about the only other place you'll find them outside the New York-New England area is in the West Central section where Iowa Power and Light paying $1.60 yields 5.71%; Iowa Southern Utilities paying $1.28 yielding 5.82% at 22, and Empire District Electric paying $1.20 to yield 6% at 20; and Northwestern Public Service at 17 yielding 5.95% on a $1 dividend.

Now these have not been presented to you as outstanding values or exceptional "buys" at current levels. Nor have they been offered as issues in line for major dividend increases in the next 12 months. The sole basis for singling out these is purely and simply on the altitude of their current yields. If you start out with the investment premise that you should secure an immediate return in the order of 6%, then these may well prove of interest. But the growth factor here is a rather moderate one. Most of the above pay out 80% or more of net in cash dividends.

So now we switch. We'll move to sections of the country where population and industry are expanding more rapidly.

Florida fills this bill and there are three fine electrics to choose from: Tampa Electric at 34¾ paying $1.20 to yield 3.45%; Florida Power Co. at 58 paying $1.80 yielding 3.1%; and Florida Power and Light at 58¼ yielding a mousy 2.20% on a $1.28 dividend. Here you are offered three excellent market performers, where the main accent is on growth. Of these, Florida Power and Light is the biggest, serves the most populous area and retains the largest slice of net earnings (over 50% in 1956). All of these stocks today sell at around 20 times current earnings; but assuming continued expansion of earning power at present rates, today's price quotations would average but 13 times 1960 per share net. And in this projected period of less than four years, each issue should post at least two advances in cash dividends. It is on the legitimate expectation of expansion of earnings and dividends that people buy these shares in today's market, at these yields; and with full knowledge that there are sure to be further offerings of common stock in each case.

Again in the growth department, we'd like to cite Texas Utilities Company common which in the 1949-56 period increased its energy sales 148%, revenues 111%, earnings available for common stock, 190%; and dividends on common 194%. That's pretty nearly par for the course! Through three subsidiaries, Texas Utilities serves 72,000 square miles and a population of over 2,500,000 in northeastern central and western Texas. The present dividend rate is $1.44 and quite certain to be increased this year. The present market price of 47 indicates a yield of 3%. We would expect both a higher price, and a higher yield, this year. Of the "Favorite Fifty" stocks held by investment companies at the 1956 year-end, Texas Utilities was the most preferred electric utility common.

Other worthy Southwestern entries would surely include Gulf States Utilities yielding 4% at 40; Arizona Public Service which should increase its $1.12 dividend and rise above its present price of 28; and Houston Lighting and Power which should continue to pay occasional stock dividends in addition to the present $1.60 cash dividend which is being earned with a dollar to spare.

In the Southeast the dividend boosters this year may well include Kentucky Utilities, Carolina Power and Light and Middle South Utilities.

As an extra item we have one entry likely to move up to above a 6% yield basis this year. It's Rochester Gas and Electric now selling at 28. The present dividend rate is $1.60 but we think 1957 earnings may boost this distribution to $1.75—and at 28, a $1.75 dividend yields a 6.25% yield.

As a special situation in utilities you might also want to examine Union Electric Company common, listed NYSE and now selling at 28 which, on a $1.52 dividend, yields currently 5.45%. Of special interest, however, is the fact that about 20% of the dividend for the last half of 1957 will be tax free; and 40% of the dividends for the ensuing four years are expected to be tax free, being treated as a return of capital.

The common stock of Union Electric became publicly held via a distribution in dissolution to shareholders of North American Company. Union Electric earned $1.70 a share in 1956 and should show above $2 this year, partly due to a non-recurring item amounting to 22 cents per share deriving from sale of certain coal properties.

Union Electric is a big ($450 million) company serving 650,000 electric customers and 35,000 gas subscribers in St. Louis, Southeast, Central and Northern Missouri, as well as in lower Illinois and a small section of Iowa. Some growth is visible here but the main attractions are the traditionally high payout, above average yield, and the unique feature of partial tax-exemption.

Finally, we dislike to write about electric utilities unless we mention, somewhere along the line, American Gas and Electric Co. This is the Tiffany, the Cadillac, the ermine, of the business and if all I could ever buy and hold was just one single utility issue, my vote would go to American Gas and Electric, this year or retrospectively in any year of the past quarter century.

We couldn't write about them all today but we did want to stress the stability of dividend income obtainable among the utilities; and the sustained growth in earning power, dividends and market value which has especially characterized issues of companies located in areas of rising population, income, and industrial activity. Good utility stocks are efficient generators of dividends, as well as of kilowatts.

Matthews With Barret

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James H. Matthews has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Matthews who has been in the investment business in Kansas City for many years was formerly with Dewey, King & Johnson. Edman L. Chapman has also joined the firm's staff.

Carter With McDonald

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—George S. Carter has become associated with McDonald & Company, First National Tower. Mr. Carter was formerly local Manager for Saunders, Stiver & Co., with whom he had been associated for many years.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—James A. White has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 48 East Gay Street. He was formerly with Bache & Co.

Commercial Banks Offer Interesting Growth Prospects

By ISAAC B. GRAINGER*

President, Chemical Corn Exchange Bank, New York City

Evidence that banking will grow over the next 10 years as it has never grown before, and that bank stocks are due for a "new look" and a higher investment rating, is presented by well known N. Y. banker in discussing the favorable factors in banking and the solution to manpower and capital problems. Mr. Grainger contends banking will lick its recruitment problem since it offers unlimited worthwhile career opportunities, and will attract more capital once the market realizes, which it does not now, the bright growth prospects and existing investment opportunities. He refers to pattern of substantially greater earnings and cites study showing: greater gains in earnings and dividends than industrials or utilities and their closeness in current yields; and the fact that bank stocks are selling much lower in terms of earnings per share than the other two groups due to greater plough-back of earnings.

The title I have selected may seem defensive. I assure you that I do not wish to convey this impression because among all of the businesses and industries represented in our country's economy banking has one of the very best cases to present. I believe I can state this very simply. Contrary to the prevalent thought, banking is not just a stable business—it is in addition very definitely a growth industry, and more and more people are beginning to recognize this.

Isaac B. Grainger

Why has banking in recent years been growing so rapidly and why will it continue to grow? There are indeed many reasons, of which I would like to discuss briefly five.

First, banking is growing because the population is growing. Since 1900, our population has more than doubled, reaching 170 million early this year. It continues to grow at a rate of about 2.9 million per year, or about 240,000 per month. It is estimated that by 1965 it will be 193,300,000, an increase of 17% over 1955. But these gross figures don't tell the whole story.

The "baby boom" which began in 1940 continues to exceed the earlier estimates made by our population experts. Last year the birth rate was the largest on record, and 3% above 1955.

The trend to larger families continues. The number of families with two children is 100% greater than in 1940; with three children, 125% greater; and with four children, 110% greater.

The rapid increase in family formations continues. The number of households between 1940 and last year grew by nearly 14,000,000, or an increase of 40%. Beginning in 1940, we had almost 35,000,000 households; in 1956 the figure was not quite 49,000,000; and the population experts predict that the figure will get to 53,600,000 by 1962, and 58,000,000 by 1967—just 10 years hence.

But the most startling change revealed by population statistics is the movement to the suburbs. In the last five years, **98%** of the population growth was in 162 metropolitan areas, and only 2% in the rest of the United States where as late as 1950, about 44% of the population resided. **83% of the total growth—or 11½ million—took place in the suburban parts of the metropolitan areas.**

In this part of the country, meaning the Atlantic Seaboard, the movement to the suburbs has gone to such lengths that one metropolitan area merges right into the next, creating in effect one city. As a matter of fact, if you start a little north of Boston and go south to a little below Washington, there are now only two stretches—one of 17 miles and one of 11 miles—where you are outside of metropolitan areas as defined by the U. S. Census. **Just think of it:** In effect, almost **one continuous city nearly 600 miles long!**

Because they serve people, banks must grow as the population increases. However, obviously such growth will not be uniform. The ingenuity of individual banks in attracting these new customers will be one of the measures. Another will be the type of individual additions to a community, that is whether they be productive or non-productive citizens.

Affect of Income Growth

A second reason for bank growth is the tremendous increase in total personal income in this country.

Prewar, our economy was typified by the $25 per week family. The "middle income" family, for example, fell in the $1,000 to $1,500 income group. Now the "middle income" family is in the $4,000 to $6,000 income group. And weekly earnings of those employed by manufacturers in December of last year were $84, or over three times the 1940 level. What is even more significant, after taking into account both increased taxes and present costs of maintaining an equivalent 1940 standard of living in the necessities of food, clothing and shelter, the "middle income" family now has discretionary spending power **over six times** as great as the prewar "middle income" family.

Furthermore, there has been and will be a tremendous increase in the number of middle and upper income families. Between 1950 and 1960 — just one short decade — the number of families with disposable income of between $4,000 and $5,000 is expected to more than **double**; families with $5,000 to $7,500 are expected to almost **quadruple**; and families with over $7,500 to more than **triple**. Or, taking all families over $4,000, the number is expected to **triple**.

We know from studies made for the Federal Reserve that "middle income" families are good bank prospects. In the $3,000 to $5,000 group, nearly 50% are users of checking and savings accounts. In the over $5,000 group, 70% use these services. It is also in the "middle income" groups that we find the heavy users of consumer credit.

Obviously as mass millions of people climb the income ladder into the middle and upper income groups, banking has a great opportunity to grow. On the basis of the figures just cited, our consumer business should triple, and if we improve our marketing efforts—for instance, get more than 50% of the $3,000 to $5,000 group to become depositors—our consumer business should increase by substantially **more** than 300%.

Rapid GNP Increase

A third reason for bank growth is the rapid expansion in our country's ability to produce goods and services.

In 1954, President Eisenhower pointed out that our total gross national product could conservatively be expected to rise by 1965 to a level of about $500 billion.

Two and a half years passed since these estimates were widely publicized. Now, as Dr. Upgren of the Amos Tuck School at Dartmouth points out, we are practically **100% ahead of current schedule** towards the President's expectation.

It is not surprising, therefore, that leading businessmen and economists are upping their estimates. Ralph J. Cordiner, President of General Electric, in a speech before the Economic Club of New York estimated a $550 billion Gross National Product by 1965 at 1955 prices. Sumner Slichter, economist, has predicted a $570 billion economy by 1965. And Arthur Burns last fall, when he was still Chairman of the President's Council of Economic Advisers, predicted that Gross National Product would reach the level of 600 billion in 1966.

Regardless of whose estimates we accept, we can agree that there is going to be a tremendous expansion in production of goods and services. As business expands, banking necessarily will expand with it, resulting in like growth for our industry.

Successful Increased Consumption

My fourth reason for thinking that banking will continue its growth is the increasing ability of American business to market our fabulously expanding production.

Economists tell us that if and when we reach the level of a $600 billion economy, personal consumption expenditures will be increased over present levels by $136 billion. This represents a **60% increase in our standard of living.**

If these figures are difficult to grasp, perhaps they become clearer if I suggest that adding $136 billion in personal consumption is the equivalent of **adding our entire prewar physical consumption to our present standard of living.** To express it another way, we will expand our levels of consumption in a period of roughly 10 years by an amount **nearly equal to the entire growth of our country in the 200 years from Colonial Days up to 1939!**

If we have such growth in marketing, it is obvious that both our consumer and commercial loans, in fact all personal and commercial banking services, as well as deposits, will develop tremendously.

Money Supply Bound to Increase

My fifth and last reason for thinking that banking will continue growing is the anticipated increase in the money supply.

In a period of monetary restraint like the present, deposits grow very little. Last year demand deposits of commercial banks remained almost unchanged. In such a period we are apt to overlook the obvious, and that is, if we are to attain anything like the predicted economy figures, the money supply must increase.

It was interesting to note that Paul W. McCracken, a member of the President's Council of Economic Advisers, in a speech to the Mortgage Bankers Association on April 17, suggested that if the Gross National Product reaches $565 billion by 1965, a 50% expansion of bank deposits would be required.

I would, however, not want you to think I was recommending such rapid growth in our money supply, or that I was suggesting that Federal Reserve should or would permit such growth.

But I am suggesting that last year's deposit situation is not typical and that as we work towards a higher economy level our money supply—and hence the demand deposits of banks—will greatly increase.

Therefore, I believe we can all agree that banking is not just the stable industry so recognized traditionally but is a growth industry. It will grow over the next 10 years as it has never grown before—because of growing population, growing incomes, growing ability of business to produce and to market, and a growing money supply.

However, if banking is to realize its potentials, and if it is to provide the kind of service to the people and business of this country that they need and deserve, then banking must solve two important problems. One is manpower; and the other is capital.

Career Opportunities in Banking

It is well known that in banking we have personnel recruitment problems, just as every other industry has. It is not only competition with other banks down the street. **All business** is competing for the limited supply of young men and young women.

What may not be so apparent is that our problems no doubt will become more difficult than they are now. I have said earlier that by 1965 our population will increase 14% to 193,000,000. But in that same period, the number of people in the 25 to 45 age group will actually **decrease by 136,000.** This is not an estimate. This is a **fact**, because all of the people in this age group have been born. They were born for the most part during the low birth rate depression years. This is a most serious problem for banking, and all of business, because at a time when we are going to need **more** people

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*An address by Mr. Grainger before the Connecticut Bankers Association, Manchester, Vt., June 8, 1957.

Business Implications of Expected Population and Income Changes

By WALTER E. HOADLEY, JR.*
Treasurer, Armstrong Cork Company, Lancaster, Pa.

Forecasting profitable growth and mounting problems in the coming decade, well known business economist postulates expected population and income changes and evaluates what these will mean for management in terms of market impact, public policies and internal operations. Dr. Hoadley foresees income gains: accelerating demands for something "new" and better "quality"; relentlessly increasing labor demands; shifting of long-term savings into institutionalized funds; and concludes personal income advances will involve rising costs as well as opportunities for expanding markets. Refers to inflation's effect on real gains, touches on political and economic implications of rapid expansion of both ends of population age scale, and notes changed composition of stock holding.

It's known that forecasters frequently have more success predicting economic developments several years into the future than a few months ahead. Nevertheless, at the pace of recent and current economic changes, obviously no one can state with any high degree of certainty what the next decade will offer. Management, however, is already making decisions which will influence the course of business over the next 10 years. Such decisions necessarily presuppose some explicit or implicit forecast of what lies ahead. Since there simply is no escape from forecasting—all of us must try to do a better job of it. Moreover, apologies won't help the accuracy of our predictions or the decisions resting upon them.

W. E. Hoadley, Jr.

As I see it, our task today is (1) to reach some general agreement on what changes can be expected in population and income over the coming decade, and (2) to appraise what these expected changes will mean for future management strategy.

Real Income and Population Forecast

At present the most commonly accepted population forecasts for the next decade (used for planning purposes in many of the best known U. S. corporations) call for a rise of 15-20% from the current estimated total of slightly more than 170 million persons. In other words, this country is expected to have about 195-205 million inhabitants by 1967. Attracting equal attention with this over-all population growth are anticipated pronounced shifts in age distribution. The sharpest population increases are projected to occur among high school and college age groups and older persons, with below-average gains in the 25-65 age brackets. Consequently, the outlook is for rapid expansion in the so-called dependent or nonproductive groups at both ends of the population age scale with relatively little gain among those comprising the most active work force.

Turning to income prospects, which are evaluated and discussed much less widely than population, considerable growth is also foreseen over the next 10 years. Income projections are often said to be less dependable than demographic forecasts, but the latter have been consistently conservative for many years. Nevertheless, there is still a good deal of agreement among economic forecasters that over-all income gains of 20-30% are in sight by 1967. In other words, total personal income is expected to increase from an annual rate roughly of $340 billion at present to about $425-$450 billion 10 years hence. Correspondingly, average annual income per family is seen to rise from a level in excess of $4,500 currently to a range of perhaps $5,500-$6,000 a decade ahead. With continued inflation also widely anticipated (at a rate of at least 1% per year) real income gains seem likely to be more modest. Changes in income distribution are expected to reflect the broad advance in purchasing power, with most workers and families moving gradually into higher income brackets. A moderate further "bulge" of families in the middle income brackets is likely.

Distinguishing Growth Companies

These population and income prospects seem fairly reasonable to me and probably to you as well. We can start our 10-year appraisal of population and income trends, therefore, with considerable confidence of substantial **growth** and **change** ahead. To keep our perspective, however, let's recognize that population is now increasing at a rate which if continued will double the number of people in this country somewhere in between 40 and 45 years. General business in dollars now doubles in slightly more than 20 years. So-called "growth companies" are commonly distinguished by their ability to double their sales every **five** to **10** years. One pretty obvious conclusion seems to emerge — if population and income advance at the rates projected here, no company is going to qualify as a "growth" business which just keeps pace with these general economic measures.

When we add the almost certain prospect that the increase in general economic activity over the next decade will occur as an irregular—perhaps even bumpy—advance instead of a smooth and steady climb, we have little reason to become complacent about our own individual business growth — even with important gains ahead in population. Similarly, unless income increases are at least matched by productivity improvements, many present seemingly buoyant prospects for business over the next decade will be badly upset by **inflation** generally and profit **deflation**.

These comments may seem a bit pessimistic. You'll recall at the outset, however, that I accepted some very optimistic expectations of population and income gains for the coming decade. I certainly don't mean to be pessimistic. I'm merely making a small plea for all of us to be **realistic** as we face the future. The general outlook is very encouraging indeed — but in my judgment growth over the next 10 years is not automatically guaranteed for any business despite our agreement that the postwar population and income surge will continue.

The expected changes in population will be important to business managements from at least three standpoints: (1) impact on markets; (2) influence on public policies; and (3) internal operations.

Impact on Markets

The impact of population growth on future markets has been widely discussed. Suffice it to say here that the greatest market-sales-profit opportunities lie in keeping abreast of the various age-group waves which will be plainly evident over the years ahead. The most spectacular waves will be those among teen-agers and young adults, on the one hand, and the older folks, on the other.

Only the surface has been scratched thus far in important markets across the country in determining "buying chronology," that is, to find out more precisely at what ages major and minor decisions are made to purchase goods and services. For example, in homebuilding it is important to know that under present conditions, large numbers of families buy a new home when their first child reaches 4 to 5 years of age —just before starting school; add to their home or move into another when that same first child becomes a teen-ager and bathroom and other space becomes a premium; are almost universally do-it-yourself fans so long as Dad is under 35-40, but this interest tends to diminish thereafter until he reaches 55 years of age—unless he's a born hobbyist.

It will pay real dividends to study consumer wants and markets even more closely over the next decade to insure that the "right" products are available and the "right" merchandising policies are pursued. In this way, the needs of the changing numbers of individuals in the various age brackets will be met more fully and the new product "batting average" in business improved.

Managements should not over-

Continued on page 57

*An address by Mr. Hoadley, Jr. before the 27th National Business Conference, Harvard Business School Association, Boston, Mass., June 8, 1957.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 27) — Comments on high energy fuels, Euratom requirements for atomic power, **United Western Minerals Company, Vaal Reefs Exploration & Mining Co., Ltd., El Paso Natural Gas Co.,** and **Daystrom, Inc.**—Atomic Development Mutual Fund, Inc., Dept. C, 1033 30th Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Electric Utilities—Comparative study on 97 companies—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Inside Story of Outside Help—Outline of services Ebasco offers—Ebasco Services, Incorporated, Dept. V, 2 Rector Street, New York 6, N. Y.

Japanese Stocks — Current information — Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pocket Guide—Discusses 20 stocks most favored by institutional investors—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Public Utility Financing in 1956 by Kidder, Peabody & Co. and Kidder, Peabody & Co. Incorporated—Booklet—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Stockholders of Closed-End Investment Companies—Survey—National Association of Investment Companies, 61 Broadway, New York 6, N. Y.

Treasure Chest in the Growing West—Booklet describing industrial opportunities in area service—Utah Power & Light Co., Box 899, Dept. 2, Salt Lake City 10, Utah.

Utility Review—Bulletin—Josephthal & Co., 120 Broadway, New York 5, N. Y.

* * *

R. C. Allen Business Machines Inc. — Memorandum — Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

American Bosch Arma — Memorandum — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y. Also available are memoranda on **Boeing Airplane Co.** and **Eli Lilly & Co.**

American Bosch Arma—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

American Gas & Electric System—1956 annual report—W. J. Rose, Vice-President, Dept. D, American Gas and Electric Company, 30 Church Street, New York 8, N. Y.

American Seating Co.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Amphenol Electronics Corporation—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Atlas Corporation — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Aztec Oil & Gas Co. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Bank of New York — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Baltimore & Ohio—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Bell & Gossett Co.—Memorandum—Blair & Co., Incorporated, 105 South La Salle Street, Chicago 3, Ill.

Bergstrom Paper Co. — Memorandum — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are memoranda on **Collins Radio Co.** and **McNeil Machine & Engineering.**

British Petroleum Co. — Memorandum — Walston & Co., 120 Broadway, New York 5, N. Y.

California Water & Telephone Company — Annual report — California Water & Telephone Company, 300 Montgomery Street, San Francisco 4, Calif.

Canadian Superior Oil of California Ltd. — Analysis — J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

J. I. Case Co.—Memorandum—G. C. Haas & Co., 65 Broadway, New York 6, N. Y.

Cessna Aircraft Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Citizens Utilities Company — Analysis — Mitchum, Jones & Templeton, 650 South Spring Street, Los Angeles 14, Calif.

Coca-Cola Bottling Company of New York, Inc. — Bulletin — John Morrissey Gray Co., 51 East 42nd Street, New York 17, N. Y.

Columbian Carbon Co. — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Co[illegible] Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Dunham-Bush, Inc. — Analysis — Fusz-Schmelzle & Co., Boatmen's Bank Building, St. Louis 2, Mo.

Fedders Quigan—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Lily Tulip Cup Corp.—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a memorandum on **Clark Equipment,** and **Union Carbon**

McNeil Machine & Engineering — Report — Straus, Blosser & McDowell, 40 Exchange Place, New York 5, N. Y. Also available are reports on **Seismograph Service** and **Taylor Instrument.**

Mid West Abrasive Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available is a memorandum on **Prophet Co.**

Northern Illinois Gas Company—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is a research study of **Port of Chicago & St. Laurence Seaway**—Complete study by Prof. Harold M. Mayer of University of Chicago, $3; memorandum quoting excerpts on request.

Northwest Production — Report — Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil** and **Big Piney Oil & Gas.**

Oklahoma Gas and Electric Company—1956 annual report—Oklahoma Gas & Electric Company, 321 North Harvey, Oklahoma City 1, Okla.

Pacific Coast Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Plymouth Oil—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. In the same bulletin is an analysis of **White Motor.** Also available is a memorandum on **Bank of America, N. T. & S. A.**

Pure Oil Co.—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Adams Express.**

United States Chemical Milling Corporation—Analysis—Shearson, Hammill & Co., 650 South Grand Avenue, Los Angeles 17, Calif.

Western Massachusetts Companies—Statistical study—Western Massachusetts Companies, 201 Devonshire Street, Boston, Mass.

William Wallace Company—Analysis—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Wisconsin Power & Light Company — Report — Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a bulletin on the **Supermarket** with particular reference to **Jewel Tea Co.** and **Red Owl Stores.**

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold their 31st annual field day at the Midwest Country Club on Saturday, June 22. Events begin at 8:30 a.m., with lunch 11:30 a.m. to 2 p.m. and dinner at 6:30. Guest fee $15.

John P. Pollick, Cook Investment Company and Adolph C. Egner, Shearson, Hammill & Co., are Co-Chairmen of the field day committee. Golf is in charge of Mr. Egner; baseball in charge of Charles G. Scheuer, Wm. H. Tegtmeyer & Co.; clubhouse and transporttaion, Donald D. Schubert, Bacon, Whipple & Co. and reservations and hotel reservations, Robert W. Lane, A. C. Allyn & Co.

Prizes in the golf tournament will be awarded for first, second low gross, members; first low gross, guests; first 10 low net (Peoria); special short hole prize; and duffer's prize.

L. F. Rothschild Uptown Branch

L. F. Rothschild & Co., members of the New York Stock Exchange, announced that the 200 Fifth Avenue, New York, office of the recently dissolved member firm of Smith, Frank & Co., has become a branch of their organization under the management of Julian R. Quinn, formerly a partner in Smith, Frank & Co. The entire staff of the Smith, Frank firm also has joined L. F. Rothschild & Co.

Norman D. Krasny, previously at the main office of L. F. Rothschild, 120 Broadway, is now located at the 200 Fifth Avenue office.

First Prov. Secs.

FLORENCE, S. C.—First Provident Securities Corporation has been formed with offices at Evans and Coit Streets to engage in a securities business. Officers are Lewis W. Barron, President and Treasurer, and Eldra M. Floyd, Jr., Vice-President and Secretary. Mr. Barron was formerly with Courts & Co. and Francis I. du Pont & Co.

To Be Adolph Schenker Co.

The New York Stock Exchange member firm of Adolph Schenker & Co. opened with offices at 120 Broadway, New York City effective June 1. Formation of the firm was previously reported as Schenker & Co.

With Seligmann Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Carl R. Raymore has become affiliated with Seligmann & Company, 735 North Water Street. He was formerly with Bache & Co.

The Elusive Airline Dollar

By T. CARL WEDEL*

Vice-President, First National City Bank of New York

New York commercial banker expects airlines' problem of obtaining sufficient funds for their jet-age expansion will not be easy, but believes it will be done if financial and regulatory communities cooperate, despite current declining profit margins and unknown jet operating costs and break-in expenses for not yet completely technologically proven aircraft. In explaining the airlines' financing problems, Mr. Wedel points out that banks and insurance companies have provided funds for a substantial portion of initial jet programs and, in doing so, permitted the airlines to violate the 1 to 1 debt equity ratio, having probably in mind the rapidity with which the companies can convert their assets into cash for debt retirement via depreciation charges, as well as other financial restrictions imposed by lenders. Contends additional funds needed will be supplied by allowing airlines to charge a fair price for their services. Sees as a result better earnings and dividend paying potential improving airline equity market to investors and solving the elusive financing problem.

"How are the airlines going to get the money for their jet age expansion?" I will predict at the outset that the airlines' job will not be easy—but that it will be done, if certain necessary co-operation from the financial and, especially, the regulatory communities is obtained.

T. Carl Wedel

"Gross revenues up 11%. Net income down 10% for the airline industry in 1956. 150 billion revenue passenger miles by 1970 versus only a paltry 48 million in 1956."

"Airlines will spend an estimated $4 billion for new equipment in the next 10 years."

"Airline traffic continues to soar but earnings fall—losses on horizon for 1958 some say."

"Mounting expenses threaten to outstrip revenues — airline profits may shrink as much as 50%."

Headlines such as these—taken almost verbatim from recent newspapers and industry publicity releases—are of a nature to make the men who will be called upon to furnish a large share of the money for the jet age (commercial bankers like me, insurance company investment officers, and investment bankers) want to switch on the sign that says "Fasten Seat Belts—No Smoking" and, in some cases, reach almost eagerly for the two martinis which some of our airline colleagues so graciously provide on long flights. Because airlines are, admittedly, talking about a lot of money, a tremendous increase in capacity to be provided by as yet not completely technologically proven aircraft (in fact even some prototypes have not yet been built) and all this in the face of steadily declining profit margins and the imponderables of jet preoperating costs and break-in expenses. Yet one or two of American scheduled trunklines have already successfully arranged for a large portion of the new money requirements of at least their initial jet programs. How they have been able to do this, what financial ground rules they have had to follow, and what "ground rules" we can predict for those airline financial vice-presidents who have not yet arranged for all the elusive dollars they need, will form the balance of this discussion. I might point out here, that no matter how "rich" and successful they are—none of these airlines has, at this moment, arranged for as many of these elusive dollars as it will need over the next decade.

Hypothetical Conference

Perhaps the best way to show you what the long suffering financial vice-president of a major airline must go through successfully to finance his airline's jet program is to "wire tap" a hypothetical conference between him and his bankers as he discusses his requirements and finds out just how "elusive" these needed dollars are. Airline X, for our example, will be somewhat of a composite of, shall we say, about six of the major North American airlines — all of whose problems are similar — although some are more acute than others.

As a background to the discussion that will follow, I must point out that probably the main objective of a bank lending officer (or an insurance company investment man) is to make as certain as possible that the money he lends will be paid back as scheduled. (To depositors in many of our banks (I hope) and holders of some insurance policies, this thought must be of some slight comfort.) Now back to our story:

Mr. Brown of Airline X, a typical major American scheduled trunk airline, has come into a large bank (or insurance company) — armed with a bulging briefcase, a good night's sleep and courageous optimism firmly based on the facts that the U. S. domestic trunk airlines have increased their total assets from $387 million in 1946 to over $1 billion in 1956 (operating property and equipment alone from $165 million in 1946 to over $600 million in 1956) and gross revenues from $350 million in 1947 to over $1.2 billion in 1956, have met all their debt maturities, and are still undoubtedly solvent.

The bank officers greet him cordially and take his hat and coat (even in a tight money market we try to be polite) and sit down with him to give him a chance to (1) explain why he needs all the equipment he wants to buy; (2) tell them how much money he needs and how he plans to raise it; and (3) prove to them that his financial plan is feasible and that he will be able to pay back that portion of the funds which he wants to borrow. As you can see, an easy assignment—but I think you begin to understand why Mr. Brown's training program includes a good night's sleep. (Incidentally, as preparation for a conference of this kind, the bank officers themselves are strongly advised to get a good night's sleep too!)

Brown explains that his airline, X, has competed for many years over most of its major long haul routes with Airline Y and Airline Z has just been given a foothold into some of these same routes. Both Airline Y and Airline Z are ordering jet and/or turbo-prop equipment to service these routes—and these aircraft are so much faster than even the champagne equipment Brown's airline is now using (DC-7s, Super G Constellations, etc.) that, in spite of free martinis and beautiful stewardesses, to remain competitive in the decade beginning in 1960, Airline X **must** also have jets. The bank officers cannot help but agree with the logic of this—an airline, equipment-wise **must** "keep up with the Joneses" if it is to survive competitively—even if the Joneses suddenly switch from the equivalent in cost of from Fords to Cadillacs, and, unfortunately perhaps, but inevitably, one of the Joneses surely will switch as soon as a Cadillac is produced. Incidentally, the bank very probably has loans and commitments already outstanding to Airline X which have helped finance their piston equipment, whose maturities extend into the 1960's. To make certain that the airline will be able to generate the funds to pay back these loans already made, the bank must be sure the airline remains competitive—so to this extent at least, Brown's and the bank's interests are parallel. Neither can dispute the magic sales appeal of being able to say "Fastest to Timbuctoo — or St. Louis—or Los Angeles" and it is sales appeal that fills up available seat miles and produces profitable load factors!

Price of Jets

So far, so good. Brown then takes a deep breath and explains that these jets are going to cost well over $5,000,000 apiece (versus only about $2,500,000 for his present DC-7s or Super Constellations — at this point he may remember with a certain degree of understandable nostaglia the days when the most competitive equipment cost only $400,000 per airplane) and that to service adequately his schedules and meet his competition, he will need initially between 20 and 30 of them. Rapid multiplication tells the banker that already Brown is talking about over $150,000,000—and the banker instinctively reaches down to make certain that his own seat belt is firmly fastened. Brown, with a hopeful smile, then bravely completes his equipment story by adding that he must also have a new competitive medium range airplane for his shorter hauls (such as the Electra, or the Viscount, or the Convair 880) and he will probably need between 20 and 40 of these at a cost in the $3-$4 million range apiece. Almost as an afterthought he will mention that he naturally needs some more piston engine equipment to fill the 1957-1960 needed available seat mile gap. By this time Brown is talking about capital expenditure requirements in the $250,000,000-$300,000,000 range through 1960 and this banker, at least, recalling that the airline's net worth is below $100 million, has begun to disregard the "No Smoking" sign!

Brown — especially if he has tried to "buy" money from bankers before, will then open his briefcase and spread out on the table, neatly typed (although we really don't care if it's typed or not) a cash flow forecast covering all projected cash receipts and cash disbursements for the airline during, at least, the period 1957 through 1961 or 1962. In our example, let us suppose that this shows the following: Cash needed for equipment purchases through 1960—$300 million—that figure is easy! The balance of the projection — which will be examined more quizzically by the banker—attempts to answer the $64,000 (or better—the $300 million) question — where is the money coming from? The cash projection probably answers the question thusly: From depreciation, which, as you probably know is an operating expense which does not require payment in cash (my own budget, unfortunately, includes few such

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*An address by Mr. Wedel before the Air Transport Association's Banquet for the Aviation Writers Association Convention, St. Louis, Mo., May 30, 1957.

Prospects for Petroleum Both Here and Abroad

By AUGUSTUS C. LONG*

Chairman, The Texas Company

Mr. Long foresees 60 billion oil industry investment to meet increasing world demand in the next five years, but warns that favorable political and investment climate is necessary for such investments and, also, profits to provide reasonable return to induce increasingly large funds needed for capital expenditures here and abroad. The oil executive projects 1965 free world consumption of oil rising about five times the level prior to World War II and believes this increased demand will be met primarily from foreign production, dominated by the Middle East, particularly since U. S. oil reserves have increased at a slower rate than both domestic production and domestic demand. Reports 100 U. S. operators are now exploring or producing in more than 30 foreign countries.

In analyzing the course of events since World War II, it seems to me that there have been two developments of major significance. The first is the fact that the world is indeed smaller than it was back in the 'thirties. I do not mean simply that we can now get farther faster than ever before; I mean that the world has shrunk in terms of the affairs of men. A statement on Capitol Hill in Washington can be heard on Radio Moscow in a matter of minutes; a decision by a manufacturer in Bonn can change the plans of businessmen in Bogota; a freedom fighter from Hungary can find a new life on a farm in Montana.

A. C. Long

More and more — and whether we like it or not—the lives of people are becoming intertwined, and physical distance is no longer a deterring factor.

The second development which I believe has special meaning is the amazing economic progress that the free world has made during the postwar period. Not only have countries whose industrial machines were ravished and wrecked by the war put these machines back into working order, they have pushed them on to new heights of economic activity. This is particularly true of Western Europe, but it is spreading to other parts of the world as well —to Africa and the Far East—and it is spreading despite political unrest and what sometimes appears to be the never-ending rise and fall of governments.

It is obvious that no matter what else, people everywhere today are driven as never before by the desire to improve their lot and to enjoy the fruits of industrial development and expansion.

In Western Europe, where statistics of this kind are most readily available, the economic growth has been phenomenal. During the years from 1948 through 1955, for example, the gross national product of various countries—on a per capita basis and in terms of constant prices—increased as follows: the United Kingdom, Sweden and Belgium more than 2½% annually; France and Italy more than 5% annually; and West Germany about 10½% annually. By comparison, the increase in the United States—and this was during the greatest period of sustained prosperity in our history—was 2.4% per year.

A remarkable thing about these statistics is the fact that in each of these countries the rapid rise in economic activity has been paralleled by an even greater increase in the consumption of petroleum and petroleum products. During the 1948-1955 period, the British increased oil consumption by almost 9% annually, the Swedes 16%, the Belgians more than 13%, the French about 14½%, the Italians 17%, and the West Germans almost 30%. In the U. S. over the same period, petroleum demand has risen by 5.7% annually.

I do not mean to imply that such progress could not have been made without oil; there are other sources of energy available, of course. But it could not have been as rapid or accomplished as reasonably with regard to cost. I believe the facts make it clear that there is a direct and close relationship between industrial progress, business prosperity and the availability of adequate supplies of petroleum products.

As you may know, 1959 will be the centennial of the drilling of the first oil well in this country. California had its gold rush in 1849; Pennsylvania was the scene of the first oil rush only a decade later, and today there is production in 29 states. The availability of petroleum literally set the wheels of the American economy in motion. As a lubricant and as a fuel, oil played a major role in transferring to machines the work once performed by men, women and draft animals. The use of mechanical energy greatly increased human productivity in this country; it brought the people of the United States the highest standard of living in history. Moreover, in two world wars and in Korea the availability of U. S. petroleum supplies was of vital importance to the Allied victories. Thus, oil has not only helped *create* our way of life, it has also helped *preserve* it.

During the span of almost 100 years, the industry has produced within our own borders about 55 billion barrels of oil—or almost twice as much oil as has been produced by the rest of the free world combined. We have been extremely fortunate, thus far, on two counts: first, in having the petroleum beneath our land and our offshore waters, and second, through intelligent conservation laws and the ingenuity, daring and skill of thousands of men and women, in being able to supply the major portion of our petroleum requirements and at the same time maintain adequate reserves for national security.

Looking ahead, the picture is somewhat different. If living standards are to be maintained in the face of a tremendous growth in population, if the current high level of industrial activity is to be sustained, the petroleum requirements of the free world are going to increase even more sharply. Demand in the United States in 1956 was about 8.8 million barrels a day; by 1960 this will increase to about 10.3 million barrels a day; and in 1965, domestic consumption is expected to reach a level of approximately 12.1 million barrels a day—almost 40% above the present level.

An even greater increase will occur among the free foreign nations. Demand outside the United States among these countries in 1956 was some 6.8 million barrels a day; by 1960, this will be about 9.8 million barrels a day; and in 1965, it is expected to climb to perhaps 14.6 million barrels a day —a rise of 115% over the current rate.

Since it is difficult to visualize this tremendous growth in terms of barrels of oil, let me put it another way. By 1965 the free world consumption of petroleum will have risen to roughly *five times* the level prior to World War II.

The big question is: where is all the oil coming from? On the basis of everything that we know now, there is only one answer to that question. The projected increase in demand for petroleum will be met primarily from foreign production, principally that in the Middle East.

Perhaps the most significant factor in the international petroleum industry since World War II has been the shift to that part of the globe as the major source of the world's petroleum. Proven reserves in the Eastern Hemisphere—according to conservative estimates — have quadrupled in the postwar period and now constitute about 75% of the free world total. By comparison, Western Hemisphere reserves are up only about 60% and now constitute only one-fourth of the world total.

What has been the experience of the United States over the 1946-1956 period? Our share of estimated free world reserves has slipped steadily downward—from 39% to about 17%—and we are still slipping. Furthermore, while our reserves have consistently increased since the war, they have done so at a slower rate than both domestic production and domestic demand. Last year, for example—a year of record producing activity in this country—we consumed six times as much oil as we discovered in new fields. At the end of the year, our reserves were equivalent to only 11 years' demand — the lowest reserve — demand ratio since these calculations were first published in 1936.

I am not saying that the United States is "running out of oil." But the fact is that oil is becoming increasingly difficult to find in this country. The ratio of dry holes to the total number of wells drilled has been rising, and because wells must be drilled deeper, the cost of bringing in new reserves is increasing. Moreover, experience indicates that the prospects for discovering major new fields are not encouraging. The biggest field ever discovered in this country was East Texas in 1930 with about *6 billion barrels*. By comparison, one of the largest new oil fields discovered in the United States last year—the Aneth field in southeast Utah—is estimated to have about 100 *million* barrels.

Now contrast this situation with that in the Middle East. It is estimated that the Persian Gulf area has about three times as much oil as the rest of the free world combined. In looking at the world oil picture, then, as things stand today you simply have to face the fact of the dominating position held by Middle East reserves.

Despite this, however, to further diversify their sources of crude, American oil companies are pushing the search for new fields into every part of the world. All in all, more than 100 American operators are now involved in exploration or producing in more than 30 foreign countries.

This global hunt for new petroleum reserves necessitates a huge expenditure of time, manpower, and—most importantly—money. Not only must the oil be found and produced, there must be pipelines or tankers to transport it to established markets, and manufacturing facilities to process it. During the past ten years the world petroleum industry has invested more than $42 billion in the United States and almost $20 billion abroad. These total capital expenditures of $62 billion since 1946 are larger, by far, than the investment program carried out by any industry other than public utilities.

If the worldwide demand for petroleum is to be met, it now appears that the industry will be required to invest another $60 billion—not during the next *ten* years—but during the next *five* years, *and nearly half of this must be invested abroad.*

This enormous commitment of capital can not be made, however, unless the political and financial climate both here and abroad is conducive to overseas investment of such substantial funds. In this connection, the seizure and blocking of the Suez Canal last year was of particular significance. It not only brought a new realization of the importance of the Middle East to the Western World, it also emphasized the need for adherence

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*An address by Mr. Long before the New York Chamber of Commerce, June 6, 1957.

Combatting the Propagandists For Socialized Power

By THOMAS D'ARCY BROPHY*
Chairman, Kenyon & Eckhardt, Inc.

Substitution of the words "government ownership" for "public ownership" and public ownership by shareholders in place of private ownership is recommended by Mr. Brophy, on the basis of Advertising Council's successful experience in obtaining support for worthy causes, since it stresses personal involvement, the keystone to a public campaign to win appreciation for publicly-owned utilities as against the "creeping threat of government gobble." Opposing propaganda, and special pleading, the well known advertising agency head avers the U. S. people possess an enormous latent responsiveness which is simply waiting to be harnessed to a good cause by those knowing how to persuade on the basis of admissible evidence. Maintains the more industry learns of public relations the more support it will gain "for the ideas that have made our country sound and strong."

We are all familiar with the power of advertising to sell goods and services. It has become in our time the motive force behind mass consumption which makes mass production possible—and our whole system of high employment, high wages, and high standard of living depends on mass production.

T. D'Arcy Brophy

But can this same power be harnessed to sell ideas as well as goods? Does the use of advertising to influence the thoughts and opinions of our country have a legitimate place in a free democracy? Has it been successful up to now? Will it be more widely used?

It may simplify matters if at the outset I propose a very vigorous affirmative to all these questions. But it will be an affirmative that is tempered by an important proviso—namely, that we approach the American public not with propaganda, but with persuasion.

What is the difference? Beamed from Moscow in recent weeks were the following examples of propaganda:

"The poor of America are being denied Salk vaccine for their children."

"The U. S. is making plans for germ warfare."

"The Americans are developing artificial hurricanes to hurl at an enemy."

"The appearance of Dave Beck and his associates before a Congressional committee is a deliberate move by the enemies of the workers to smear the U. S. labor movement."

That is propaganda.

When it comes to spreading ideas, the Communists believe passionately in propaganda, and it works, I regret to say, in the underdeveloped sections of the world. But in this country it doesn't get very far! Dictatorships live on propaganda, while democracies thrive and flourish and grow on the far more rigorous arts of persuasion. Here is an example of the difference.

Voters' Response to Voting

About a year ago in our country George Gallup predicted an appallingly low vote in last November's presidential election unless Get Out the Vote groups stepped up their activities. An alarming apathy gripped the electorate throughout most of 1956. The primary turnout was down—7% less than in 1952 — and newspapers published pictures of empty polling places in cities where special elections were being held.

The Advertising Council locked arms with 146 national membership organizations in an all-out effort to get the largest possible number of informed citizens to register and vote. The result: More voters went to the polls last Election Day than ever before in our history!

This was a prodigious achievement, especially considering the gloomy predictions of last spring. Undoubtedly the election eve uprising in Hungary and the Middle East crisis were responsible for some votes, but these events occurred too late to explain the unprecedented 80,158,000 registration, an increase of more than 4,578,000 over that of 1952.

What brought it about? Primarily the work of thousands of volunteers who were inspired to take on the job and supported in their efforts by advertising in newspapers, magazines, on outdoor posters, in car cards, on radio and television. And millions of citizens were moved from disinterested, passive spectators into active, voting citizens. That is persuasion!

It happens to be the latest example to come to mind, but there are many others. A year before Pearl Harbor, five great groups—the YMCA, Salvation Army, National Catholic Community Service, National Jewish Welfare Board, and Traveler's Aid — decided to pool their resources and efforts to help our servicemen and women in the event of war. The United Service Organization was created, and a campaign was launched to persuade the public that this was a good idea and deserved support. In less than 12 months, USO was a household word and $16 million had been raised to implement its work.

Following Pearl Harbor, the National War Fund came into being. Its purpose was to coordinate the fund-raising activities of all war-related relief organizations. Again the American people were persuaded to contribute, this time more than $200 million—a staggering goal in those days—which was reached and exceeded.

Advertising had an important role in selling these ideas and persuading Americans to support these great undertakings. And during the war, the Advertising Council marshaled the forces of advertising to help win all-out public participation in such efforts as selling War Bonds, Nurse Recruitment, the Salvage Campaigns, and many others. More than a billion dollars' worth of advertising space and time were donated to those campaigns, and all were spectacularly successful.

Since the war, there have been the March of Dimes, the Heart Fund, the Cancer Crusade, Easter Seals for Crippled Children, to mention only a few of the great humanitarian causes for which millions of dollars are raised each year by persuasion.

But you may say that these have been appeals to the heart rather than to the mind. Not entirely, although it must be recognized that people respond more readily to emotional appeals. So let's consider citizenship.

Non-Emotional Appeals

Right after the war, it became increasingly apparent that far too many of our citizens were taking their political freedoms for granted and active participation in the duties of citizenship seemed at an all-time ebb. Following an appeal by the Attorney General of the United States, a group of citizens organized the American Heritage Foundation to do something about this problem.

In a government "deriving its just powers from the consent of the governed," active citizen participation is essential, so a plan was developed to bring about a greater awareness of the advantages we have in this country, emphasizing the relationship of our hard-won liberties to our development as the greatest nation of free people in the world's history; and further, to persuade all Americans that only by active personal participation in the affairs of our nation can we safeguard our freedoms, preserve the liberties from which these advantages flow, and continue to demonstrate to the world and ourselves that the way of free men is best. This program was essentially educational. It was a citizens' movement, non-partisan, and non-political. It was an affirmative effort, opposed only to that which is antagonistic to the dignity and freedom of the individual.

To focus attention on these objectives, we had made available to us, largely through the good auspices of the Attorney General, a priceless collection of American historical documents, which were carried to the people in every state and in 326 cties in a special seven-car "Freedom Train." Supported by newspapers, radio, magazines, and other forms of mass communication, the presence of the Freedom Train in each community was the signal for a local week of rededication to the principles of active democracy, sponsored by civic, fraternal, religious, and other patriotic organizations.

The extent to which it was possible to implement this program and marshal the forces of mass communication and community action is, I think, a remarkable example of how an idea can be sold to the American people.

When the Freedom Train had finished its journey of 37,000 miles, an estimated 50 million people—one third of all our population—had taken part in rededication exercises built around the following nine promises of a good citizen:

(1) I will vote at all elections. I will inform myself on candidates and issues and will use my greatest influence to see that honest and capable officials are elected. I will accept public office when I can serve my community or my country thereby.

(2) I will serve on a jury when asked.

(3) I will respect and obey the laws. I will assist public officials in preventing crime and the courts in giving evidence.

(4) I will pay my taxes understandingly (if not cheerfully).

(5) I will work for peace but will accept my responsibilities in time of war.

(6) I will avoid any group prejudice based on class, race, or religion.

(7) I will support our system of free public education by doing everything I can to improve the schools in my community.

(8) I will try to make my community a better place in which to live.

(9) I will practice and teach the principles of democracy right in my own home.

These are the working tools of good citizenship, and the first of these is to vote, regularly and intelligently, and in primary as well as in general elections.

The most specific negligence on the part of our citizenry had been

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*An address by Mr. Brophy before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 5, 1957.

From Washington Ahead of the News

By CARLISLE BARGERON

President Eisenhower, by way of justifying his budget, has said frequently that the Federal Government has got to spend this kind of money if it is to do the things for the people which they demand. But Republican Senators have been making some surveys and they can't find any appreciable number of people making these demands.


Carlisle Bargeron

There have been several of these surveys, some made by individual Senators and confined to their particular States; there have been others made by research agencies of certain regions and others covering the country as a whole. Their aggregate results were recently placed before the President at a meeting with Congressional leaders. They seem not to have made a dent on his thinking.

According to these surveys which have received no publicity, no one of the President's "must" projects receives approval of anything like a majority of the people as a whole. The list embraces liberalization of the immigration laws, Federal aid to education, foreign aid, the pending budget and even the so-called civil rights legislation.

The most reliable and extensive survey showed 80% of the people opposed to any change in the immigration laws. If a vote were held in the Senate on civil rights it would undoubtedly pass with the only outcry coming from the South. But this does not mean that the majority of the voters of a State like Pennsylvania support it. Pennsylvania's two Senators would, of course, vote for it but this is because of the pressure of a strong minority rather than rank and file demand for it.

Indeed, a recent poll of the Northwest reported the majority of the voters in that area approving the Administration's partnership policy in power projects, rather than favoring straight out private ownership or Government ownership. Yet the Administration, frightened by the results of last November's elections, is backing away from its partnership policy as fast as it can. The poll showed the power issue did not figure in the November results. You would have a hard time making the Administration believe that.

Manifestly, immigration liberalization, Federal aid to education and foreign aid have their groups of articulate supporters. But there is no evidence any supporters of either liberalized immigration laws or of Federal aid to education voted for Eisenhower last year or would do so in 1960 if they had the opportunity which they won't; neither would they vote for any Republican candidate. The Negro vote did switch back, generally speaking, to the Republicans so there is political justification for the President and his party kowtowing to this vote. Conservative industrialists and businessmen are mixed up with the "liberals" in support of foreign aid.

It is Mr. Eisenhower's embrace of the immigration and education issues that is mostly responsible for the Old Guard Republicans labeling him a New Dealer. There are other reasons, of course, particularly his penchant for appointing Democrats to high places, and what the Old Guard considers to be his real attitude, whether manifested or not. There is no doubt either that workers in the Republican organization have cause to be disappointed over the fact that in 1953, in the flush of a Republican victory, he did not clean out the Democratic patronage holders and give the jobs to them. It is something Eisenhower couldn't do now with the Democrats in control of Congress but he could have done it in 1953.

The Old Guard also looks upon his attitude towards foreign aid as a part of his "liberal" streak. Foreign aid is for a fact high on the calendar of the "liberals," such as the Americans for Democratic Action. But as I have said before it has plenty of big business support. Had Eisenhower turned sour on it, he would have double-crossed the Republican influences who made him President over Taft.

To save his foreign aid program this year he had to come up with a new gimmick, no more give-aways or grants, the money for economic aid is to be loaned. This approach seems to have fairly well satisfied Congress but it is not exactly an honest approach. Economic aid has been a relatively small part of the money we have been pouring into foreign nations. It has been lumped with military aid and military support. It is this last one that has the catch in it. Military aid is assistance to friendly nations to maintain military establishments prescribed for them. Military support is something on top of this. It is closely related to economic aid and can constitute just as much of a give-away as aid for building storage bins, highways and power projects in Asia. You would think the Congressional critics who have brought about a change in the matter of economic aid would want to know just what is being done under the guise of military support.

Municipal Bondsmen Satire Selves

In spite of the atmosphere of gloom pervading the municipal bond fraternity of Wall Street these days, the Municipal Bond Club of New York has published its 25th Anniversary Edition of "The Daily Bond Crier." The paper, which is a feature of the Club's Annual Outing being held tomorrow (June 14) at the Westchester Country Club, Rye, N. Y., will be available for sale today (June 13) at the offices of Eastman Dillon, Union Securities & Co., 15 Broad Street at $1 per copy.

A humorous satire on investment banking firms, individuals and municipal bond issues, the paper is highlighted by a front page cartoon showing the municipal bond business as it existed 25 years ago when the Club was founded, and as the business exists today. Advertisements, cartoons, editorials, and photographs continue the vein of barbed wit for which the paper is noted. Edited this year by Chester W. Viale of L. F. Rothschild & Co., the paper concludes its 20 pages of humor with a full page devoted to the ill-fated Jacksonville bond issue.

Halsey, Stuart Group Offer Mich. Wisc. Pipe Line Co. 6¼% Bonds

Halsey, Stuart & Co. Inc. and associates are offering today (June 13), subject to SEC clearance, $30,000,000 of Michigan Wisconsin Pipe Line Co. first mortgage pipeline bonds, 6¼% series due June 15, 1977, at 102.889% and accrued interest, to yield approximately 6%. The underwriters won award of the bonds at competitive sale yesterday (June 12) on a bid of 100.709%.

The bonds will have the benefit of a semi-annual sinking fund designed to retire the entire issue by maturity. The bonds will be redeemable for the sinking fund at prices ranging from 102.78% to par. The bonds will also be optionally redeemable at prices ranging from 109.14% to par.

Part of the net proceeds from the financing will be used by the company to pay $25,000,000 in bank loans incurred to finance construction expenditures. Balance of the proceeds will be used for construction now in progress.

Michigan Wisconsin Pipe Line Co. owns and operates, a natural gas pipeline system in Michigan, Wisconsin, Iowa and Missouri, supplying natural gas to 16 utilities in that area.

Total operating revenues of the company for the 12 months ended March 31, 1957 aggregated $45,-661,007 and net income amounted to $3,941,304.

Wage Inflation Analyzed By Conference Board Forum

Forum, consisting of eleven distinguished economists, analyzes wage inflation phenomenon and current price inflation which occurred despite Federal budget surplus and tight monetary balance. Summary by Conference Board's chief economist, Martin R. Gainsbrugh, notes hope placed upon restoration of a better balance in the entire bargaining process.

Eleven distinguished economists joined forces to investigate the question of wage inflation at a recent session of the Economic Forum, sponsored by the National Industrial Conference Board in New York City, June 2.


John S. Sinclair

The Forum was under the chairmanship of John S. Sinclair, President of The Conference Board. Commenting on the session, Mr. Sinclair said that "the upward surge of both wholesale and retail prices in 1956 has again brought problems of inflation into the forefront of public discussion." He noted that "The most recent spurt in prices has occurred in a period of Federal surplus, with little if any change in the money policy, and in a period of tight credit policy." . . . "To what extent," Mr. Sinclair asked, "have the continuous rounds of wage increases been responsible for the rise in prices paid by all consumers, including labor?"

Ewan Clague, Commissioner of Labor Statistics, United States Department of Labor, established a factual background for the Forum which proved that wages, in current dollars, including fringe benefits of all forms, have outstripped the gains in productivity since World War II. He reported virtually no gain in productivity last year, a significant rise in unit labor costs, and an accompanying rise in prices.

The following are highlights of remarks made by participants:

EWAN CLAGUE
Commissioner of Labor Statistics, U. S. Department of Labor

On Income Shares: Employee compensation averaged 77% and property income 23% (of total national income) in the period 1922 to 1928. For the decade 1946 to 1956 the figures are identical. It appears that in 1956 the ratio was somewhat higher than it has been for employee compensation, and somewhat lower for property.


Ewan Clague

On Productivity: Output per hour of persons at work increased from 1910 to 1956 about 2% per year. This is for all private nonagricultural enterprises. From 1947 to 1956 productivity rose by 3.5% annually; but the trouble is that 1947 was a low point. If you look at the trend line, you will see that 2% is good over the whole period. In manufacturing we had a 3% annual rate of increase (in productivity) until 1939. The trend from 1947 to 1956 is about the same as from 1909 to 1939, but we've lost the war years.

On Real Earnings: When charted, the line of output per manhour and the line of real average hourly earnings are identical in 1921 and in 1947. Both lines then go on up and are not very far apart in 1956.

On Costs, Prices, Profits: In the early part of the postwar period prices went up more rapidly than unit labor costs; since 1952, however, the reverse has been occurring. In manufacturing for 1955-1956, the rate of productivity increase was down, while unit labor costs and prices were up. These

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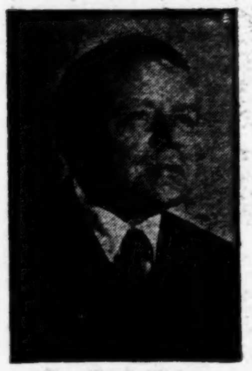
Unseasonal Sterling Weakness

By PAUL EINZIG

In this week's report from London, Dr. Einzig cites sterling's contra-seasonal weakness, notwithstanding the fillip to balance of payments position occasioned by resumption of Suez Canal oil shipments, coupled with improved international political situation. Attributes pressure on sterling in part to unpopularity among electorate of Conservative Government and the concomitant adverse psychological effect of the increase in votes for Socialists at by-elections, although discounting possibility of early advent of a Laborite regime. Discusses continued uptrend in prices occasioned by uninterrupted wage increases, the resultant inflationary economy also contributing to weakness of sterling.

LONDON, Eng.—Although the seasonal factor is usually in favor of Britain this time of the year, sterling developed a distinctly weaker tendency towards the end of May and the beginning of June. This in spite of the fact that the resumption of Middle East oil shipments through the Suez Canal has brought considerable relief to the balance of payments, and the international political situation appears to have improved. The amount of gold and dollars that the Treasury was able to acquire during May was disappointingly small. As it is usually during the spring that the gold reserve is replenished, there is some concern about the probable effect of the autumn pressure on the gold position. There is of course no cause for immediate anxiety. Owing to the additional dollar facilities secured by the Treasury, the reserve is not likely to decline below danger point. Even so, the outlook is far from happy.



Dr. Paul Einzig

Government Unpopular

The by-election results towards the end of May made it clear that the government is still as unpopular as ever. Even though there is no early possibility of the advent of a Socialist government, the psychological effect of the increase in the percentage of votes cast for Socialists at by-elections is bound to influence the tendency of sterling. All the more so since recent Socialist proposals and pronouncements have been far from confidence-inspiring.

Even more important than the political factor is the fear of an accentuation of inflation. The National Coal Board's decision to depart from the policy of price stability and raise the price of coal in accordance with the higher cost has produced a very unfavorable impression. All efforts to keep prices down have been unable to induce the trade unions to abstain from pressing for further wages increases. Should there be a rise in the cost of living the wages demands are bound to become further accentuated.

Cause or Effect?

Endless public arguing is proceeding in Britain just now on the question whether the wages demands are the cause or the effect of the rise in prices. Yet it is a matter of simple arithmetic to see that, since wages have risen more than prices, the former must be the cause rather than the effect. On balance the increase of wages has been distinctly ahead of that of prices, whether we take the last prewar year or the first postwar year or the year of the advent of the Conservative government for the basis of our comparison. That fact in itself should be accepted as conclusive. But those who argue that the rise in wages is a consequence of the higher cost of living simply choose to ignore this obvious fact.

But even during periods when the rise in prices exceeded for a few months the rise in wages, it was the higher wages that consolidated the rise in prices. For, had the stability of wages been maintained, in due course the rising trend of prices would have become reversed. In the absence of an increase in consumer purchasing power through wages increases, there would have been no adequate demand for the goods at their higher prices, so that producers and merchants, in order to be able to sell their goods, would have had to lower their prices. But as each time they raised their prices a corresponding, and more than corresponding, increase in wages enabled consumers to buy the goods at the higher prices, there could be no end to the rising trend.

It is true, a similar situation exists also in other countries, not excluding the United States. The difference is merely one of degree. But for this, wages inflation in Britain would have affected the balance of payments to a much higher degree. If inflation proceeded at approximately the same extent in most countries, it could proceed with impunity as far as its effect on exchanges and balances of payments is concerned. It is mainly because there is a difference in degree to Britain's disadvantage that sterling has been under intermittent pressure since the end of the war.

Blessing in Disguise

In a way, we in Britain must thank our lucky stars for the frequently recurrent balance of payments crises. If it had not been for these crises, inflation would have been allowed to proceed unabated, and by now the internal depreciation of sterling would have attained an even more advanced stage. In itself the rising trend of domestic prices might not have induced the Socialist government, or even the Conservative government, to adopt disinflationary measures. They resorted to such measures from time to time solely for fear that, should inflation be allowed to proceed unhampered, its effect on the balance of payments would deplete the gold reserve. From this point of view the balance of payments crises must be regarded as having been blessings in disguise—very much disguised, it is true, but blessings all the same.

Admittedly, the effect of inflation on the balance of payments can be disguised or mitigated for a long time through borrowing abroad, or the sale of foreign investments, or artificial controls, or devaluation. All these devices have been resorted to by Britain one time or other since the end of the war. Borrowing is the latest palliative. If it had not been for the dollar facilities secured at the end of last year and early this year, the gold reserve would have declined by now to crisis level.

If the device of borrowing had been resorted to for the purpose of strengthening the reserve in anticipation of a showdown with the trade unions there would have been every justification for it. But having secured emergency support to sterling, the government took the line of least resistance in face of excessive wages demands. This may mean that the emergency resources will be used up, so that Britain will not be able to afford to face a major strike. The realization of this is likely to encourage further excessive wages demands.

L. A. Mathis Opens

MARGATE CITY, N. J.—Lester A. Mathis is engaging in a securities business from offices at 211 B North Harding Avenue. He was formerly with Hallowell, Sulzberger & Co.

Milton Capper Member Of Salt Lake Exchange

JERSEY CITY, N. J.—Milton Capper, President of Capper & Co., 1 Exchange Place, has acquired a membership in the Salt Lake City Stock Exchange. Christopulos & Nichols of Salt Lake City will be correspondents of Capper & Co.

Milton Capper

Mr. Capper, a graduate of the College of the City of New York, has had 25 years experience in the investment business specializing in oils, mining and industrial securities. He is a member of the Society of New York Security Analysts, Security Traders Association of New York, and the National Security Traders Association.

With McCormick Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James M. King is with McCormick and Company, 3761 Wilshire Boulevard.

With Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — James S. Bishop is now with Livingston, Williams & Co., Inc., Hanna Building.

Effect of Tight Money Upon Municipal Borrowings

By ARTHUR LEVITT*

Comptroller, State of New York

State and local government finance problems arising from credit restraint policies are commented upon by Mr. Levitt in discussing New York State and municipal plight, and in suggesting new mechanisms for marketing school bonds through the creation of an authority to purchase school district obligations and to finance such purchases by issuance of its own bonds. The State Comptroller criticizes current monetary policy for its uneven effect upon both lenders and borrowers, in noting that business firms "continue to secure funds with relative ease since they are able to pass on the higher interest costs to the consumer." Proposes: separating local government financing from other monetary policy considerations through voluntary selective credit rationing; treating municipal obligations similarly to Treasury securities—i. e., discounted at 3%; member banks be required to hold certain amount of municipals; municipal funds for tax exempt bonds, and passage of H.R. I school construction bill.

In my travels and continuous contact with numerous communities I find that the most widespread problems of today are concerned with budgets and credit. Everywhere we find a rising tide of budget consciousness and deep concern over the high cost of borrowing. I am particularly concerned about the plight of municipalities under the present credit restraint policies of our government. The rising cost of interest is particularly burdensome when added to the expanding cost of current operations. To me these constitute the most challenging problems faced by public fiscal officers.

Hon. Arthur Levitt

Among the responsibilities of the Comptroller in New York State is that of supervising the fiscal affairs of some 7,000 units of local government. In the performance of this activity my office gathers a great variety of fiscal data and maintains close contact with local officials and the financial community. Facts reported to us make it clear to me that the scarcity and high cost of credit is creating an undue hardship.

Many municipalities, particularly school districts, have encountered great difficulty in obtaining temporary financing. Others have rejected bids on bond issues because the cost was excessive. Some even have deferred their construction plans. Of course, this situation is not limited to New York State. The Investment Bankers Association, in its October 1956 statistical bulletin reported that a minimum of $350 million of municipal issues were postponed or withdrawn from the market in the third quarter of 1956 because of credit conditions.

Population growth and suburban expansion have created unprecedented demands for new schools, new roads, new hospitals, new water and sewerage systems and other essential facilities.

In some of the large cities there is the added problem of population movement within the city. New neighborhoods are created in the outlying areas while the older sections of the city become depopulated. Thus, we have underutilization of facilities in the central areas and at the same time a large program of building new facilities in the outskirts of the city. There are instances of enormous increases in need for new public facilities, with little or no increase in population.

Demand Exceeds Capital Supply

The combined effect of suburbanization and intra-city movement has been to increase the demand for capital outlay far beyond the available supply of capital. Unprecedented programs of capital expansion by business and industry have raised the competition in the money market to a high level and the situation has been aggravated by the Federal Reserve's policy of general credit restraint. I believe that a considerable body of evidence exists to suggest that this policy imposes its most severe burden on state and local units of government.

Because of the tax-exempt feature, interest in municipal issues has centered on a limited group of investors—those subject to high Federal tax rates and to commercial banks. This feature is of minor importance to insurance companies, mutual savings banks and other institutional investors who receive a large share of the nation's long-term savings.

As the volume of state and local long-term borrowing continues to exceed the supply of funds, it becomes increasingly necessary for governmental units to compete on a straight return basis. Already yields on high grade state and local bonds outstanding have increased 70 basis points since last June. During this same period interest rates on bonds issued by New York State school districts have increased by a full percentage point. With some $528 million in school construction scheduled by districts outside of New York City for the next three years, this rise alone will add some $80 million in additional financing costs over the life of these issues.

With new bond issues by all state and local governments expected to exceed the $6 billion level this year, you can readily see the magnitude of the problem of high interest costs.

Certainly it will cause undue pressure on the already high burden of local taxes. In our own state, we are now experiencing a quiet but effective taxpayer revolt against the continued rise in local taxes. Since the first of this year, more than 35% of the school bond issues submitted to the voters have been rejected. Last year less than 10% were voted down. School budgets are also being rejected with recommendations for curtailment of expenditures.

In the last 10 years local tax levies in New York State, including realty taxes, non-property taxes and assessments, have increased 125%. Local taxes for the support of schools alone have risen 152%. Yet, we must continue to build schools. We cannot afford to wait for a more favorable investment climate — not when we expect school enrollment in the State to increase by over 200,000 in the next two years.

Questions Monetary Policy

In view of this situation, I question whether our reliance on monetary policy to curb inflation is not raising serious obstacles to the maintenance of economic growth by ignoring the serious nature of individual situations.

General credit restraint, although attempting to deal with all sectors of the economy, has an uneven effect on both lenders and borrowers. That whole body of important suppliers of long-term capital known as institutional investors are far less responsive to

Continued on page 56

*An address by Mr. Levitt before the Municipal Finance Association, St. Paul, Minn., June 3, 1957.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Three Senior Vice-Presidents of **J. P. Morgan & Co. Incorporated, New York** have been elected to that Bank's board of directors, it

Stuart W. Cragin Longstreet Hinton

John M. Meyer, Jr.

was announced on June 6 by Henry C. Alexander, Chairman. They are Stuart W. Cragin, Longstreet Hinton, and John M. Meyer, Jr.

Mr. Cragin's and Mr. Meyer's executive responsibilities are primarily in the general banking field. Mr. Cragin has been with the Morgan bank since 1928 and was elected a Vice-President in 1940 and a Senior Vice-President in 1955.

Mr. Meyer was first employed by J. P. Morgan & Co. in 1933, becoming a Vice-President in 1940 and a Senior Vice-President in 1955.

Mr. Hinton heads the bank's trusts and investments department. He has been with Morgan's since 1923. He was elected Vice-President and Trust Officer in 1940 and a Senior Vice-President in 1955.

Also announced were the resignations as Directors of Gustav Metzman and John S. Zinsser, who had served on the Morgan board since 1945 and 1942, respectively.

* * *

Mirjan Ivanetic and Michael Serven have been appointed Assistant Secretaries of **Chemical Corn Exchange Bank, New York** it was announced on June 11 by Harold H. Helm, Chairman. James J. Brady and Robert F. Ritchie, former Assistant Managers, have been appointed Assistant Treasurer and Assistant Secretary, respectively.

Messrs. Ivanetic and Serven are associated with the bank's Term Loan Division with headquarters at 165 Broadway. Messrs. Brady and Ritchie are connected with the Bank's Metropolitan Division.

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Robert B. Anderson, has resigned as a Trustee of **The Hanover Bank, New York** in view of his nomination as Secretary of the Treasury.

Mr. Anderson was elected a Hanover trustee in September, 1956.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company, New York,** Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President, announced on June 5 the following promotions:

Albert McDonald was appointed an Assistant Treasurer in the Treasurer's Division.

John B. Mencke at the Forty-second Street Office was appointed an Assistant Treasurer.

Robert L. Capel at the Rockefeller Center Office was appointed an Assistant Secretary.

Ruth A. Eversman was appointed an Assistant Secretary in the Personnel Division.

* * *

Commercial State Bank and Trust Company of New York was given approval to increase its capital stock from $2,145,375 consisting of 85,815 shares of the par value of $25 each, to $2,188,300 consisting of 87,532 shares of the same par value.

* * *

One officer and three staff members who have worked for the **East River Savings Bank, New York** for 25 years helped celebrate the 18th Annual Quarter Century Dinner of the Bank, which was held at the New York Athletic Club, on June 6.

Mr. Giosue F. De Giulio, Mortgage Supervisor & Appraiser was elected President of the Quarter Century Club. Edward Focacci was elected Vice-President and D'Artagnan Adamo, Secretary. The dinner party was hosted by Miss Helen M. De Luise as the 1956 President of the Quarter Century Club.

Active members of the Club total 65. The membership includes three trustees of the East River Savings Bank—Edward F. Barrett, Chairman of the Board of the Long Island Lighting Company, Percy C. Magnus, President of Magnus, Mabee & Reynard, Inc., and George O. Nodyne, President of East River.

* * *

Stockholders of the **College Point National Bank, College**

Point, N. Y. and the **Trust Company of North America, New York** have approved the merger of the two Banks on June 5. The stockholders also approved a change in the institution's name to the **Bank of North America.**

Oscar Goerke, President of the College Point Bank, will become a Vice-President.

Opposition to the merger was given in these columns in the May 9th issue of the "Chronicle" on page 2170.

* * *

The appointment of Philip L. Greenawalt as Vice-President in charge of mortgages of the **Brooklyn Savings Bank, Brooklyn, N. Y.** was announced by George J. Bender, President. Mr. Greenawalt, formerly a Vice-President, joined the bank in 1934.

* * *

Announcement was made on June 5 that **Central Bank & Trust Company, Great Neck, N. Y.,** has received approval from the New York State Department of Banking to open a branch in Port Washington.

Mr. W. A. Kielmann, President, said that the new bank will be located on Port Washington Blvd. at Concord Blvd. While plans are almost completed for the new office, the date for its opening has not been decided upon as yet.

With this new Port Washington office, Central Bank & Trust Company will have four offices, the others being located in Great Neck, East Hills and New Hyde Park.

* * *

Joseph E. Hughes on June 12 was elected Chairman of the Board of Directors of **The County Trust Company in White Plains.** He will be succeeded as President by William L. Butcher. Both men will assume their new positions on July 1, following the effective resignation date of Andrew Wilson, present Board Chairman.

Andrew Wilson, after completing 23 years as a Director, President and Chairman of the Board of **The County Trust Company of White Plains, N. Y.,** announced his intention to resign as the chief executive officer of the bank on June 30.

In 1930 he became an officer of the **Bank of Manhattan, New York.** Mr. Wilson joined the board in 1934 and was made President in 1938. Mr. Wilson is expected to serve the bank in a consulting capacity.

Also in yesterday's board action and effective July 1, William W. Post and John A. Kley were named Executive Vice-Presidents and R. A. Mieczkowski was elected to serve as Secretary in addition to his present position as Treasurer. Mr. Post now is Vice-President and Secretary and Mr. Kley is Vice-President.

Dr. Hughes, County Trust President for the past 10 years, formerly headed the **Washington Irving Trust Company in Tarrytown, New York,** now a part of The County Trust Company. Mr. Butcher has been executive Vice-President of the bank since 1946 and was made a Director last January.

* * *

Edward T. Rice of Schenectady, N. Y., former Chairman of the Board of the **Schenectady Trust Company,** died on June 11 at the age of 70.

* * *

Peoples Trust Company of Bergen County, Hackensack, N. J., absorbed **First National Bank, Oradell, N. J.,** effective May 27.

* * *

W. James MacIntosh and Walter A. Munns, were elected directors of the **Fidelity-Philadelphia Trust Co., Philadelphia, Pa.**

* * *

Peoples Trust Company of Wyomissing, Pa., Wyomissing, Pa., absorbed the **Strausstown National Bank, Strausstown, Pa.,** effective May 27.

* * *

Walter Jones Laird, who retired in 1953 as a Director and Chairman of the Trust Committee of the **Wilmington Trust Company, Wilmington, Del.,** died on June 3 at the age of 63.

* * *

The Second National Bank of Hagerstown, Md., increased its common capital stock from $200,000 to $250,000 by a stock dividend and from $250,000 to $300,000 by sale of new stock, effective May 29 (30,000 shares, par value $10).

* * *

Edward J. Moseley, III, was promoted from Assistant Cashier to Assistant Vice-President of **The Bank of Virginia, Richmond, Va.,** by the Board of Directors at the regular monthly meeting held June 7.

He began his banking career in 1928 and in April, 1944, Mr. Moseley joined the staff of The Bank of Virginia in the mortgage loan department.

He was elected Assistant Cashier June 7, 1946, and made Manager of the mortgage department.

* * *

The common capital stock of the **Marion National Bank of Marion, Ind.,** was increased from $500,000 to $600,000 by a stock dividend, effective May 29 (60,000 shares, par value $10).

Reynolds Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Edwin T. Netland has become affiliated with Reynolds & Co., 425 Montgomery Street.

Walter A. Stay Joins Petersen Firm

ST. JOUIS, Mo.—Joseph G. Petersen & Co., Inc., 1811 South Broadway, has announced the appointment of Walter A. Stay as Manager of its Institutional Bond Department.

Mr. Stay has more than a quarter of a century experience in the investment field, and comes well equipped to handle all types of religious institutional financing. He was associated with Petersen more than 25 years ago.

Marton Sandler Opens

BALTIMORE, Md. — Marton Sandler is conducting a securities business from offices at 1238 Greenmount Avenue.

Donald L. Colvin With Hannaford & Talbot

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Donald L. Colvin has become associated with Hannaford & Talbot, 519 California Street. Mr. Colvin formerly conducted his own investment business in San Francisco.

Rite Way Oil & Inv.

DENVER, Colo.—Rite-Way Oil and Investment Co. has been formed with offices at 1640 Court Place to engage in a securities business. Officers are Wilford J. Kaveny, President; V. V. Kaveny, Vice-President; and Aloysius J. Kaveny, Jr., Secretary-Treasurer.

Railroad Securities Make an Attractive Investment Medium

By JAMES L. SHEEHAN*
Partner, Dick & Merle-Smith, New York City

Investment officers who purposely avoid rail securities are advised by Mr. Sheehan that they are overlooking an opportunity in many instances to realize greater income and ultimately important capital gains. Challenging the unwarranted negative attitude toward rail bonds, the investment expert details rail's inherent operational advantages and progress, satisfactory financial structure, increased life insurance industry's holdings, and grounds for belief that a favorable decision on a pending application for higher freight rates will take place in late summer which will substantially improve net earnings and assist further modernization to offset wage-supply cost inflation. Expects 1965 rail-ton-miles to be 880 billion, or 40% more than 625 billion figure in 1955, and that this gain indicates trucks pose to threat since it is equal to total traffic handled by inter-city trucks in 1955 and 88% of total inter-city truck traffic anticipated in 1965.

It is certainly opportune to discuss the railroad industry and its securities at a time when this essential industry is on the threshhold of its greatest era of public service and renewed investment regard.

There are three important requirements for any group of securities to qualify as an investment medium for institutional funds. First, the industry must provide a product or service essential to the welfare, or at least compatible with the tastes of the community, at a cost that is both reasonable and competitive.

Secondly, the management must be properly alert, progressive and efficient, so that confidence in the future of the enterprise is beyond doubt.

Thirdly, the financial affairs of the business must be so organized that the investor will benefit from these fundamentals.

It is my opinion that there are many railroad securities available today that more than satisfy these requirements.

The railroad industry is absolutely indispensable to the economy in both war and peace. During periods of national emergency the industry, as is well known—and I will not labor the point—ranks with the military in basic essentiality, a fact long recognized by American military strategists. During World War II, 90% of the military freight and 97% of all organized military travel was handled by rail.

Of greater economic importance, although not generally recognized nor, seemingly, appreciated, is the essential nature of the railroad industry during periods of peace. This lack of attention is really a tribute to the unobtrusive efficiency of this industry, much like a water system that no one thinks about until it ceases functioning, when suddenly the basic import strikes home. Thus a railroad strike on a national scale, for any important length of time, would so paralyze the arteries of the economy as to require drastic public action.

*An address by Mr. Sheehan before the Fraternal Investment Association Seminar, Scarborough, Ontario, June 4, 1957.

Challenges Pessimism

In the minds of certain investors, truck competition is considered to be the real problem of the railroads. The growth of the trucking industry is emphasized and presented as the reason for the belief that the railroads will eventually pass into oblivion. This pessimism is unwarranted in the light of recent studies made by Transportation Facts, Inc., a Chicago research organization working in conjunction with the Railway Progress Institute. These organizations in forecasting future traffic levels for inter-city freight, place the level of 1965 railroad ton-miles at 880 billion, or 40% more than the 625 billion figure for the year 1955. These figures for the railroad industry represent approximately one-half the total transportation service requirements for all inter-city freight and about three-quarters of the traffic handled by railroads and trucks combined. Inter-city trucks are anticipated to show a rise to 300 billion ton-miles by 1965, as compared with the 1955 figure of 244 billion ton-miles. It is noteworthy that the gain expected to be obtained by the railroads alone in the next few years, namely 255 billion ton-miles, is *equal* to more than the total traffic handled by inter-city trucks in 1955 and 88% of the total inter-city trucks traffic expected in 1965.

This question of truck competition is really amusing when one seriously considers the inherent advantages of the railroads in relation to trucks. It is true that in certain instances trucks, because of their flexibility and quicker service do have a natural advantages of the railroads in relation to trucks. It is true that in certain instances trucks, because of their flexibility and quicker service do have a natural advantage over rails. But here, I am concerned with the vast bulk of commodities and raw materials that move in heavy volume rather than the relatively small groups of specialized merchandise that are economical to move by trailer truck.

Now let us examine some of the facts. The average truck trailer carries eleven tons, whereas the average loaded freight car carries 32 tons. Assuming tractor-trailer trucks moved all the freight handled by railroads in the year 1955, the 15 billion tractor-trailer miles would rise seven-fold to a total of 105 billion. The fuel consumption of these over-the-road carriers would increase, based on an average consumption of five miles per gallon, from the present three billion gallons to 21 billion gallons. The equivalent fuel consumption by railroads was also three billion gallons to move its volume and the railroads could handle the additional traffic now moving over the highway in trailer trucks with an increase in fuel consumption of 500 million gallons, only one-sixth of what the trucks used to move this volume.

Comparing rail and truck revenues earned per ton-mile, the railroad charge per unit of traffic is only a fraction of that required to be charged by trucking companies, as follows:

	Class I Railways	Class I Trucks	Ratio of Rail to Trucks
1951	1.336¢	5.099¢	.262
1952	1.430	5.509	.260
1953	1.478	5.563	.261
1954	1.421	5.989	.237
1955	1.370	6.351	.216

In considering statistics of average revenue per ton-mile, I appreciate it should be kept in mind that traffic composition varies considerably as between the two modes of transportation, as do operating and service factors. However, the figures do illustrate both the absolute and relative cheapness of the rail service in comparison with motor trucks. More particularly, your attention is directed to the fact that charges by the trucks have been increasing while those of the railroads have trended downward.

In view of the above average revenue figures, it is small wonder that the American Trucking Association General Counsel, in outlining the position of his Association before a Congressional committee, in connection with hearings relative to the President's Cabinet Committee Report on Transportation (released in April, 1955), characterized this Report, especially as it related to greater freedom concerning rate policies, as offering a "hunting license and ammunition to the railroads to destroy competitors."

A further inherent advantage of the railroads over the trucks is found in the minimum amount of manpower necessary to produce an equivalent amount of work. In this respect the relationship between manpower and output is five times as great in the case of the railroads as compared with the trucks. Moreover, the number of railroad employees takes into account those that maintain the right of way, a problem peculiar only to the railroads.

In the final analysis, probably the best evidence of the advantages of railroads over trucks is to be found in the ever-increasing numbers of trucking company trailers now riding piggy-back on the rails. Here is the Pennsylvania Railroad's experience in that field since common carrier service was opened in March, 1955:

Common Carrier Trucks Handled by Pennsylvania Railroad Co.

	1955	1956	1957
1st quarter	651	7,667	16,227
2nd quarter	2,809	6,920	
3rd quarter	4,834	6,228	
4th quarter	9,145	15,438	
Total	17,439	36,253	

The incontrovertible facts can lead to only one conclusion, namely that in peace or war the railroads will continue in the foreseeable future to be the most important segment of our national transportation system and this at a cost that cannot be met by their principal competitors.

Operating Economies

Here let us consider the second basic requirement for institutional investments — management, alertness and efficiency. I frequently listen to remarks concerning the lack of progress and the inefficiencies of the railroads. While it may be true that some roads have lagged behind the industry, I don't think it fair to condemn the industry because of the performance of a few roads. At this time it seems appropriate to examine certain of the operating performance data for the industry to test the validity of the allegations regarding inefficiency.

All Class I Railways

	Number of Employees	Number of Traffic Units per Employee	Millions of Revenue Ton-Miles	Net Tons Per Train	Net Ton-Miles per Train Hour	Aver. Freight Train Speed
1925	1,769,099	274,554	413,814	744	8,773	11.8
1930	1,510,688	289,325	383,450	784	10,836	13.8
1940	1,026,956	409,732	373,253	849	14,028	16.7
1950	1,220,784	534,163	588,577	1,224	20,343	16.8
1956	1,042,664	674,576	646,976	1,420	26,119	18.6
% Change 1956 vs. 1925	—41%	+145%	+56%	+91%	+197%	+57%

Obviously, these figures indicate not only progress but excellent progress indeed.

From the standpoint of net earnings, the magnificant gains in operating performance on the part of the railroad industry have been over-shadowed in recent years by the spiraling increases in wage costs common to all industries, as well as the increased costs for materials and supplies. Some measure of the effect of the dollar value of the labor economies in operating expenses may be obtained by comparing the actual 1956 labor cost of approximately $5 billion with what it would have been on the basis of say, the 1930 efficiency factor of traffic units per employee and 1956 average wages. It may sound incredible but the efficiency of 1930 of 289,325 traffic units per employee would have required 2,431,023 employees to handle the 1956 volume. The 1956 average wage per employee was $5,107. Thus, on the basis of the 1930 labor productivity factor the 1956 wage bill would have been in excess of $12.4 billion, or more than $7 billion in excess of actual wage costs and approximately $2 billion more than the entire operating revenues for 1956.

The improvement in operating performance was largely the direct result of management's willingness to expand colossal sums to raise the physical standards and take advantage of technological advancements to reduce costs. Since the close of 1945 over $12 billion of new capital has been expended to modernize and improve the physical facilities. During this period, expenditures on roadway aggregated $3.7 billion while new equipment costing $8.3 billion was placed in service. It should be emphasized that while these large expenditures, averaging about $1.1 billion per annum in the postwar period, were being made on the property and largely financed out of cash generated from operations, substantial reductions of debt were also effected. For example, exclusive of equipment obligations, funded debt of the industry was reduced by more than $2 billion between the close of 1945 and the end of 1956.

In view of the tremendous economies effected in railroad operations since the mid-1920's or last quarter of a century there are a good many doubting Thomases who seriously question whether any additional important avenues of savings are open to rail managements. They mention the diesel locomotive, centralized traffic control, modern yards and accounting equipment, etc. as the principal sources of the economies in the recent past. They ask, "What lies ahead?" It is my firm belief that so long as the patent office remains open and the human mind retains its creative thinking abilities and its imagination, the railroads in the next 25 years will adopt new operational improvements as efficiently as they have in the past quarter of a century.

Financial Structure

The third requirement concerns a satisfactory financial structure. Most railroads now have a satisfactory financial structure, even though the recent market prices for many railroad securities would seem to belie this state-

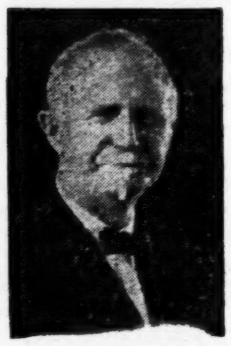
Continued on page 54

Outlook for Commodities

By ROGER W. BABSON

Mr. Babson provides an analysis of the supply-demand relationships prevailing in some of the major commodity groups. Sees possible moderate strengthening of industrial commodity prices later in the year, and expects total dollar volume of new construction, despite housing decline, to hold at a high level in the coming months.

Total volume of new construction put in place, on a dollar basis, hit a record high for the first four months of this year. However, the sharp drop in housing starts in 1957, compared with 1956, is curbing demand for some key items, particularly lumber, plumbing equipment, and other materials. I see no immediate major improvement in this adverse situation. Nevertheless, the total dollar volume of new construction will hold at a high level—a fact that will make for a still good total demand for building materials in coming months. Supplies, for the most part, will continue ample.



Roger W. Babson

I see nothing to worry about in hard fuels. Production should continue in good balance with requirements. These will hold at satisfactory levels, allowing for the usual seasonal variations. Liquid fuels also will easily meet current and prospective needs. Gasoline stocks, though heavy, probably will not prove burdensome, now that the season of high consumption is close at hand. Large imports of petroleum and heavy fuel oil are causing concern in some quarters, and will be sharply curtailed, I forecast, either voluntarily or by government decree.

Outlook for Foodstuffs

The over-all food outlook remains firm. Supplies of most major items will hold at relatively high levels. Supplies of meats, however, may be somewhat smaller this summer than last, largely reflecting an expected drop in the supply of pork. With pastures all over the country in excellent condition, milk production, from now through the summer will hold at a high rate. This should result in larger commercial supplies of dairy products but heavy CCC buying should help maintain prices.

Looking ahead a bit, I forecast that new food crops, even with only average weather conditions during the important growing periods, will again be large. Domestic demand for most food products, both fresh and frozen, will continue at a high level, reflecting a continued high rate of national employment and disposable consumer income. Foreign demand for U. S. food products may, however, be less aggressive than it was a year ago.

Grains and Livestock

Despite government efforts to reduce them, our grain and feed supplies in the aggregate are still large. Early indications point to another large supply of feed grains for 1957-1958; the total may not differ materially from last year's record. Carryover stocks into the new season will be sharply above those of a year ago. These large current and prospective supplies should militate against any sustained price advances.

Supplies of well-fed beef cattle are by no means heavy. Currently, price strength prevails in feeder cattle, which have been in good demand. I forecast a rather heavy run of grass fat cattle, including feeders, this fall, and lower prices. Marketings of the 1956 fall pig crop are now well out of the way—and will probably be followed by temporarily higher average prices; but prices could turn sharply downward as marketings of the large spring pig crop increase.

Industrials, Metals and Textiles

Demand for industrial commodities should be well maintained at good levels, allowing for the usual summer letdown. Supplies, for the most part, should suffice. Industrial prices may even strengthen moderately later in the year. Supply-demand ratios in the metals group lean more to the easy side than otherwise, but no shortages are indicated.

The domestic textile industry, by and large, has been in the doldrums for a long time. However, I forecast some improvement during the second half of this year. Cotton and wool perhaps will be the best performers, although I forecast nothing in the nature of a booming market. Supplies of the basic fibers are ample for the months immediately ahead.

Johnson, Lane, Space NYSE Member Firm

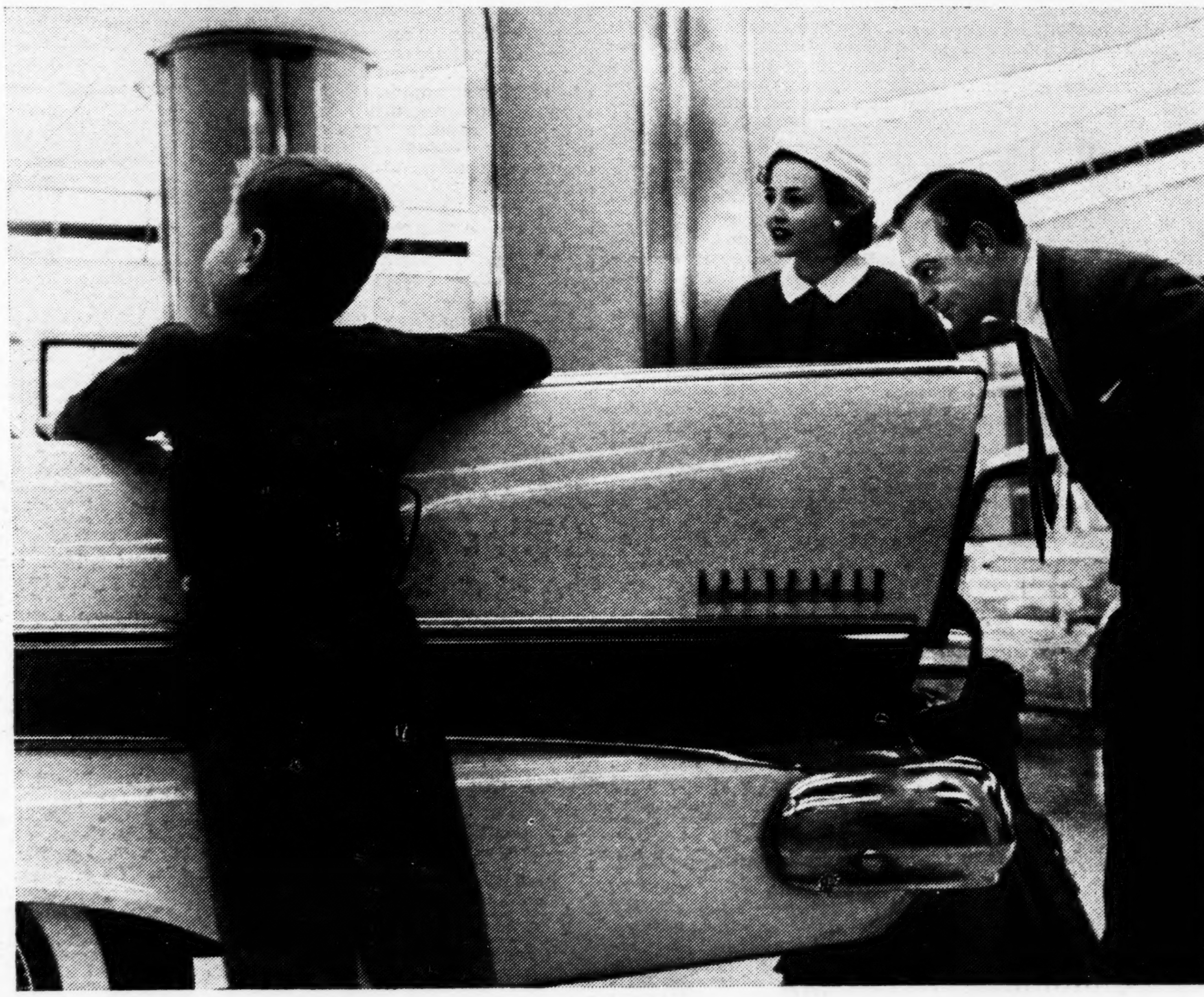
SAVANNAH, Ga. — Johnson, Lane, Space & Co., Inc., Bay & Drayton Streets, has been admitted to membership in the New York Stock Exchange. W. E. Hutton & Co. will be their New York correspondent.

In addition to headquarters in Savannah, the firm also maintains offices in Augusta and Atlanta.

Officers are Thomas M. Johnson, President; Julian A. Space, Executive Vice-President; Craig Barrow, Jr., Allen Crawford and Freeman N. Jelks, Vice-Presidents; George C. Kneller, David T. Johnson and J. Chappell Summers, Assistant Vice-Presidents; Wiley J. Smith, Vice-President in charge of the Augusta office, with D. Hudson Boyd, J. J. Slattery and James M. Mason, Assistant Vice-Presidents; Hagood Clarke and Harrison Clare are Vice-Presidents in charge of the Atlanta office, with D. W. Hindsman and Carl E. Hill, Assistant Vice-Presidents.

Muller Schryver Admits

Muller & Schryver, 40 Wall St., New York City, members of the New York Stock Exchange on July 1 will admit Donald Lee Norris and Harold O. Anderson to partnership. Mr. Anderson will become a member of the Exchange.



Reshaping Our Financial System

By DR. E. SHERMAN ADAMS*

Deputy Manager, Department of Monetary and Economic Policy Commission, American Bankers Association

Contentious issues of the banking system's ability to accommodate our growing economy's credit needs and areas warranting an impartial monetary commission's investigation are dealt with and resolved by national bankers' Economist. The ABA Plan—to reduce and make uniform deposit reserve requirements, provide smaller discretionary reserve range for Federal Reserve to vary, and count vault cash as part of reserves—is advanced by Dr. Adams to correct what he considers archaic, unfair, inconsistent structure and distribution of reserves, and bank classification. Maintains we have gone too far in sheltering particular users of credit; would like to see S & L Associations and credit unions regulated more conservatively; sees no need for regulating nonbank intermediaries; and supports monetary-credit policies but wants more education on inherent limitations.

Technology has transformed our economy. Crystal sets, biplanes, and tin lizzies have given way to TV, jets, and motorized tail fins. How well has our financial system adapted itself to this new world? How should it be reshaped to function satisfactorily over the years ahead?

Dr. E. S. Adams

One thing that definitely needs revision is our set-up of member bank reserve requirements. In addition, many other problems have been developing. If an impartial monetary commission were to subject our financial system to searching scrutiny, what changes would it recommend?

Need for Banking Flexibility

Looking first at the structure of member bank reserves, we find a relic to delight antiquarians only. For one thing, the current high level of required reserves is an historical accident. Requirements were doubled 20 years ago to cope with unique circumstances arising largely from the devaluation of the dollar in 1933-1934. These conditions have long since disappeared. Nevertheless, the reserve percentages are still about two-thirds higher than prior to 1936.

Required reserves today are obviously far in excess of the amount needed for monetary control or to provide ample earnings for the Federal Reserve Banks.

*An address by Dr. Adams before the Money and Banking Workshop, Federal Reserve Bank of Minneapolis, Minn., May 11, 1957.

High requirements clearly discourage membership in the Federal Reserve System. They are grossly discriminatory against member banks as compared with other competing institutions. Even more serious, they restrict the flexibility of the banking system and impair its ability to serve the banking needs of the public.

If requirements are kept at their present levels, they will become increasingly burdensome and inappropriate. As our economy grows, we shall need more currency and bank deposits and more bank credit. Many banks have already depleted their secondary reserves and are approaching a loaned-up position. If reserve requirements remain at current high levels, many banks may be unable to meet the credit demands of their customers. Lowering the requirements would be the best way to enable the banking system to accommodate the monetary and credit needs of our growing economy.

An Outmoded Approach

The distribution of the reserve burden is archaic, inconsistent, and inequitable. A fundamental fault is that it is based upon an outmoded premise: namely, that regal reserves are primarily for liquidity. Once upon a time this premise may have had some validity, but not today. Since they must be maintained, legal reserves are virtually frozen assets and can contribute only to a negligible extent to bank liquidity.

The overriding significance of reserve requirements today is the vital role they perform as a fixed part of the mechanism for monetary management. They constitute a fulcrum on which the Federal Reserve's credit-control levels rest. Without them, there would be no really good brake on credit expansion.

In redesigning our reserves set-up, this primary function of reserve requirements should be kept in mind. Much of the confusion and disagreement which have plagued this subject in the past have stemmed from the conflict between the old-fashioned liquidity approach and the newer credit-regulation approach. When the liquidity approach is discarded, the path is cleared to a sensible solution.

A Heritage of Inequities

The present geographical classification of member banks is a vestige of the ancient system of redeposited reserves set up during the Civil War under the old National Bank Act. This pyramidal structure was abolished in 1913 with the advent of the Federal Reserve System, but the old classifications have lingered on.

With the development of the nation's economy over the past half century, these categories have lost whatever significance they once had. Today many banks of similar size and doing the same type of business are subject to different reserve requirements merely by reason of their geographical location. This is illogical and unfair.

The only basis on which one might try to justify this pattern would be on the theory that city banks doing a large correspondent business should carry higher reserves than other banks. Two things are clear: (1) that the existing arrangements implement this theory only very imperfectly; and (2) that the theory itself is untenable because it rests on the obsolete liquidity approach.

A final inconsistency is the ironical status—or rather, lack of status—of vault cash. Prior to 1917, vault cash was one of the specified legal reserve assets under the original Federal Reserve Act and, before that, under the National Bank Act. It was eliminated from member bank legal reserves in 1917 to meet certain temporary conditions. No reason now exists why vault cash should not be counted as legal reserves.

The ABA Plan

These defects in our present reserves structure are, of course, widely recognized. What is needed is a plan which would correct them and which would also be compatible with sound monetary policy, acceptable to the banks, and not too difficult to administer.

Three years ago, with the encouragement of the Federal Reserve authorities, the Economic Policy Commission of the American Bankers Association embarked upon a comprehensive study of this problem. Recently, it published the results of its labors, including a concrete program for reserve revision. Here, in five simple proposals, are the actions that the Commission recommends taking over a period of years:

(1) **Eventually reduce reserve requirements for demand deposits to 10%.** For all member banks, requirements against net demand deposits now average 16½%. From 1917 to 1936 they averaged about 10%. From a credit-control standpoint, a fulcrum of 10% of demand deposits serves just as well as one of 16%.

(2) **Make this 10% requirement uniform for all member banks.** Existing differentials based upon bank location make no sense and should be abolished. Incidentally, these differentials now cause unforeseeable changes in the volume of member bank excess reserves when deposits shift from banks with higher requirements to banks with less high requirements or vice versa. The elimination would therefore simplify the task of the monetary authorities.

(3) **Authorize the Federal Reserve to vary this requirement over a range of 8% to 12%.** The

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What's Ahead for Housing: Surplus or Shortage?

By DR. GEORGE CLINE SMITH*

Vice-President and Economist
F. W. Dodge Corp., New York City

A better year for housing construction in 1958 is predicted by construction authority who finds this an encouraging offset to past several months' decline in new manufacturing building contract data. Dr. Smith avers present underbuilding falls short of basic annual demand by half-million, and in his description of concerted pressure foretelling an extremely bright long-range housing picture calls attention to vacancy rate decline; annual minimum housing replacement rate of 300,000 units, and the additional 800,000 required for non-farm housing formation. Warns that continuance of severe shortage might bring on more government lending, and decries tight-money as antidote to non-monetary induced inflation.

If I may be pardoned for raising a dismal recollection, I'd like to conjure up the memory of those little ration books we had during World War II.

Dr. George C. Smith

For those who are too young to remember, meats (and some other things) were rationed by a point system, and the ration books had stamps that you spent, along with money, when you wanted to eat. As I recall, there were red stamps for meat, and blue stamps for canned goods, and in the back of the ration books were some non-committal stamps with pictures of airplanes on them. Nobody, including the authorities, knew what the airplane stamps were for, but it just seemed that they might come in handy someday.

And so they did. I don't remember all of the precise details now, but to the best of my knowledge and belief, these special stamps were first used when agriculture officials discovered that pork supplies were more plentiful than they expected.

Being wise men, the rationers knew just what to do. They would declare a dividend, by announcing that airplane stamp number one would be good for five extra points worth of pork. That, they figured, should take care of the pork surplus in a hurry.

The people obligingly rushed to the butcher shops, spent the airplane stamps for their normal ration of pork, and then demanded beef for all the extra red stamps they didn't have to use for pork. The result was that the pork surplus stayed about the same, while beef became scarcer than ever.

Now, this story may not seem to have much bearing on the housing situation in 1957, but it does illustrate a couple of economic facts of life. One is that attempts to control the economy often lead to results not expected by the controllers; when you put your thumb on one part of the economy, something else is liable to pop. You might also deduce that surplus and shortage, like love and hate, aren't complete opposites; where one exists, the other is never far away.

*An address by Dr. Smith before the Southeastern Mortgage Clinic, Mortgage Bankers Association, Miami Beach, Fla., May 16, 1957.

Housing Demand Is Strong

Personally, I like analogies, and I would draw one between the pork-beef situation in 1942 and the housing situation in 1957 if I could. Unfortunately, there is no analogy, but . . . there are some similarities. Housing is affected in strange ways by attempts to control other parts of the economy; and housing is very definitely part of a shortage situation. There is a good deal of debate over just what the shortage is. Some hold that there is a shortage of buyers, and there may well be, *in certain price brackets*. Others argue that the problem stems from a shortage of mortgage money, and it certainly does, in part. A few, including myself, are also beginning to believe that a shortage of housing is developing.

There isn't any question whatever that the home-building industry is under the weather. The current rate of non-farm housing starts, in the neighborhood of 900,000 a year, is evidence enough of this. There are many analysts who take comfort in the fact that this rate is very close to the highest peak we ever reached in the 1920's. I don't. I think it's a very low rate, and I believe I can prove it.

Whatever is wrong with home-building, it isn't due to any falling off in basic demand for housing. Of this, there can be very little question. Practically all the indicators of housing demand are at or near all-time peaks.

In the past year, for instance, the population of the country increased by almost exactly three million people. This would ordinarily be enough to make up nearly 900,000 average-sized households, and create a demand for an equal number of new dwelling units. Of course, there are many reasons why you don't get such an exact mathematical relationship between population growth and the need for new housing. For one thing, much of the current growth in population

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World Supply—Lead and Zinc

By RICHARD H. MOTE*
Chief, Branch of Base Metals
Division of Minerals, Bureau of Mines
U. S. Department of the Interior

Base metals expert estimates 1957 slab zinc world production should reach record high 3,141,000 short tons; lead production to reach 2,328,000 short tons, an increase of 27,000 tons over 1956; and the U. S. A. will lead the world in both lead and zinc, with zinc's second place taken by USSR and that of lead by Australia. Strong evidence is found by Bureau of Mines official that world output will continue to exceed consumption during 1957, and that our stockpiling and barter transactions programs will continue to be important elements in the market balance.

This paper attempts to estimate the total world output of slab zinc and pig lead, by individual countries, in 1957, insofar as known current rates of output and other information from various segments of the industry and Government permit. Because some zinc and lead have been exported recently from the Soviet sphere to Western European markets, Russia and its satellite countries are included in the compilations. Far less is known, however, of zinc and lead activities in these countries than elsewhere in the world. The Iron Curtain is not only an effective barrier against dissemination of information on political and military matters, but it is almost entirely effective as regards to data on production, consumption, and stocks of zinc and lead.


Richard H. Mote

The estimated world production of slab zinc in 1957 should reach a new record high of about 3,141,000 short tons, an increase of 59,000 tons, or 2% over the 1956 output. Smelter production of lead in 1957 is estimated at about 2,328,000 short tons, an increase of 27,000 tons, or slightly more than 1%.

Changed Geographic Distribution

The geographic distribution of world zinc and lead production has changed somewhat during the past ten years. Immediately after World War II, the principal foreign slab-zinc-producing countries, listed in order of decreasing production, included Canada, U. S. S. R., Belgium, Australia, United Kingdom, Poland, Mexico, and France, whose total in 1946 comprised 84% of the slab zinc produced outside the United States. The U.S.S.R. is now second to the United States as the largest producing country, followed by Canada, Belgium, Germany (West), Poland, Japan, France, and Australia. A decade ago the principal foreign lead-producing countries were Canada, Australia, Mexico, U.S.S.R., Peru, Yugoslavia, Spain, and France. The total output of these eight countries comprised 81% of the lead produced outside the United States. Currently Australia is the second largest lead-producing country, followed by U.S.S.R., Mexico, Canada, Germany (West), Belgium, Yugoslavia, and France. In 1956 these countries supplied 72% of the lead produced outside the United States. Let us consider now the estimated output of these and other less important zinc- and lead-producing countries.

As I said a moment ago, very little reliable information is available on zinc and lead activity in the Soviet Sphere. Most data are fragmentary and of little use in estimating metal production in this very important part of the world. We do know, however, that some zinc and lead have moved from Poland and Russia to Western European markets in the last year or two, and the quantities seem to be increasing. Polish zinc smelters are currently producing about 14,000 short tons of zinc metal per month. Although this rate may fluctuate somewhat from month to month, the magnitude of change probably will not be significant, so that we may therefore expect a slab-zinc output of about 170,000 tons this year. Increased smelter output will depend largely upon an increased flow of imported zinc concentrates, which in recent years has included production from Sweden, Italy, Yugoslavia, and Bulgaria. Most of the refined zinc obtained from these concentrates is consumed within the Soviet Sphere.

Russian zinc-metal production in 1957 is estimated at about 330,000 short tons. Presumably a substantial portion of the zinc-concentrate output will come from resources within the Soviet Union, probably largely from Central Asian States. Considerable quantities will continue to come from Poland, however, as well as East Germany. Installed smelting capacity is believed to be adequate to handle increased mine outputs of zinc and lead resulting from new discoveries in Bulgaria and Central Asia. Development of several million tons of lead-zinc ore averaging 15% combined metal content in Bulgaria will add to the increased Soviet metal output as well as assist in maintaining or perhaps expanding the Polish metal output. Smelting capacity in Bulgaria is quite limited, and most of the concentrates produced are shipped to Soviet smelters or to Polish smelters for Soviet account. It is anticipated that zinc and lead supplies in the Soviet Sphere will be ample to meet internal requirements as well as yield a limited supply for export should conditions appear favorable to the Soviets. Self-sufficiency without regard to production costs can be presumed to be a paramount objective of the U.S.S.R.

Now that we have dealt first with the phase of the subject about which least is known, let us move on to the important zinc- and lead-producing countries in the rest of the world.

Australia's Output

Australia has been one of the world's leading sources of lead and zinc for many years. Slab-zinc production in Australia is limited to the output of the electrolytic zinc plant at Risdon, Tasmania, which has an annual productive capacity of about 119,000 short tons. In 1956 this plant produced 117,000 short tons of slab zinc. It is estimated that production in 1957 will remain relatively unchanged. Australian consumption of slab zinc does not normally require more than 65% of annual smelter output. Thus, approximately 41,000 tons will be exported, along with the zinc concentrates produced in excess of domestic smelting requirements. Australian lead production in 1957 is estimated at about 260,000 tons—approximately the same as in 1956. Increased output of lead and zinc in future is forecast, however, as a result of a 5-year expansion program begun recently at the Mt. Isa mine, Queensland. A new 30,000-kw. power plant, a new shaft and underground crushing facilities, a new lead-zinc flotation mill and improvements to the existing lead and copper smelters are expected to triple the ore-output rate by late 1961.

Canada

The two Canadian zinc smelters at Trail, British Columbia, and Flin Flon, Manitoba, produced 256,000 short tons of slab zinc in 1956, slightly less than the all-time high output of 257,000 tons recovered in 1955. The annual capacity for slab-zinc production at these two plants is approximately 261,000 short tons and with continued high-level output of zinc concentrate resulting from recent zinc-lead discoveries and developments, it is felt that slab-zinc output will be maintained at virtually the same level as in 1956. In recent months Canadian lead-metal output has been averaging 13,000 short tons. Maintenance of this rate through the remainder of this year will put the Dominion lead output for 1957 at 156,000 tons—no record production but an impressive gain over 1956.

The significance of new zinc-lead discoveries and developments in Canada is becoming increasingly apparent. In the New Brunswick area the Heath Steele mine and 1,500-ton-per-day mill are in

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*An address by Mr. Mote before the American Zinc Institute and Lead Industries Association Meeting, Chicago

Defending the Independence Of the Federal Reserve System

By CARL E. ALLEN*
President, Federal Reserve Bank of Chicago

Chicago Federal Reserve head calls attention to Federal Reserve System's features of independence, which makes it unique among the central banks of the world, and rebuts subtle suggestions to end its independence. Mr. Allen stresses as important the independence of the Reserve System and the Treasury from each other, and points out that the Open Market Committee has not maintained any pattern of prices or yields in governments since the end of the bond support program. Refutes suggestion that the Reserve increase money supply at a constant annual rate or even underwrite a continuing "wild" inflation, and defines independence as independent "within" Government but not independent "of" Government.

The independence of the Federal Reserve System may not be a current issue in the sense that you have read or heard a great deal about it in recent months, but it is current in the sense that it is a perennial issue. Like most perennials, it has active and inactive stages. For reasons which we shall be discussing it becomes increasingly active during periods when the Federal Reserve follows a policy of credit restraint. It becomes less active during periods of credit ease.

Independence for the monetary authority has been an issue since the advent of central banking. The financial history of every country which has or has had a central bank, and that means almost every country in the world, would include at least one chapter on this subject. Only recently, I heard Mr. Per Jacobsson, now Managing Director of the International Monetary Fund, and a recognized authority on international banking, say that the economic recovery of the western European nations has been in direct proportion to the independence of the central banks in the several countries; the greater the degree of independence, the more rapid the economic recovery.

Uniqueness of the Reserve

In the United States, the Federal Reserve System has features of independence which make it virtually unique among the central banks in the world today. The monetary authorities in many countries are either directly a part of, or closely influenced by, the executive branch of the government, with roots sunk deeply in the political arena. But the policy-makers in the Federal Reserve are insulated from pressure groups and partisan political considerations. They are free to act according to their best judgment and they are directed to act in the interest of the nation as a whole.

We can, I think, attribute this difference in developments here and abroad to two propositions.

First, throughout our history, the people, as represented by the Congress, have repeatedly rejected the notion that the monetary authority should be controlled by either the Executive or by private interests.

Second, when the Congress established the Federal Reserve with broad powers of trusteeship over the nation's money supply, it provided us with an institution which has proven flexible enough to meet the changing needs of a dynamic, growing economy while, at the same time, it provided for the continuing integrity of management which is so necessary if the trusteeship is to be properly handled in the public interest.

The need for independence of the Federal Reserve was recognized when the System was organized. Carter Glass, in the report of the House Banking and Currency Committee on the original Federal Reserve Act said: "It cannot be too emphatically stated that the committee regards the Federal Reserve Board as a distinctly nonpartisan organization whose functions are to be wholly divorced from politics." Today, the Board members, appointed by the President and confirmed by Congress, serve 14-year staggered terms. They must be representative of the financial, agricultural, industrial and commercial inter-

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*An address by Mr. Allen before the Indiana Bankers Association, French Lick, Indiana, May 15, 1957.

THE MARKET . . . AND YOU

By WALLACE STREETE

After starting the new month reactionarily, the market by the end of last week recouped its "second wind" and got onto a stable-to-rising level, until hit by news of the President's indisposition.

The newest Eisenhower "illness market" is regarded in some quarters as having provided the second of two useful and significant market tests on successive Mondays. The previous unexpected incident, the Supreme Court's quite sensational and surprising ruling in the Government's anti-trust suit against the du Pont company, caused only a temporary selling flurry and merely a mild amount of profit-taking activity. In the light of the broad and varied impact on industry and finance that could be read into the decision, the conclusion seems to be warranted that the stock market presently is quite invulnerable to "bad news."

Adverse Reaction Brief

This durability of the market was seemingly reconfirmed by its behavior following the Presidential stomach upset. With the news announced on the wires at 10:15 a.m., Monday, a violent selling wave quickly ensued, accompanied by heavy volume reflected by a 13-minute delayed ticker. But even at the height of the liquidation the losses were extremely irregular, and by noontime half of the lost ground had been recovered, and thereafter showed further good rises throughout the rest of the trading session. The net loss on the day, calculated via the Dow Jones Industrial Average, was but 0.37, leaving it at still comfortable level of 504. The President's quick recovery resulted in a further rally, with prices on Tuesday vigorously rising to their highest level of the year.

Market Shrugs Off Disquieting News

The evidence from these two recent striking incidents seems to be merely a major version of previous proving of its ability to stand up against ordinarily disquieting outside factors. Recurrent reports of earnings declines and profits-squeeze have taken little market toll. And the long-continued rise in money rates and in the traditionally competing bond yields have left the equity averages unscathed. This in striking contrast to last week's striking performance in the Swiss market, where the tightening of money caused a record slump in share prices.

International Blue-Chip—Over-the-Counter

An Over-the-Counter issue, Philips Lamps (N. N. V. Philips' Gloellampen fabricken) has emerged as an international Blue Chip arousing fast-growing interest on the part of U. S. dealers and public. Traded here in increasing activity are the American certificates representing the Dutch guilder shares in Amsterdam.

This "Dutch General Electric" is a widely-diversified industrial complex, operating not only in Western Europe but also in every country of the free world. The company's products range from ordinary light bulbs and components to advanced electronic and nuclear apparatus. With its long-time pre-eminent position and experience, it is felt to be in a position to capitalize, on a vast international scale, on this era of electronics, automation, atomic energy and the resulting higher living standards. 1956 profits showed an increase of 6.7% over 1955 results to $3.57 per share, with $4.00-$4.25 expected in 1957. At its present price of 38, the stock yields about 5%. By this and various other statistical criteria, Philips compares most favorably with its American industrial counterparts.

Beneficiary From Rising Money Rates

Also off-the-Exchange, bank stocks comprise another category eliciting increasing investor attention. Here the immediate fillip is provided by the all-over rising course of money rates.

In a strategic position investment-wise is Guaranty Trust, the nation's seventh largest bank on the basis of deposits, and the fourth largest on the basis of capital funds. Net operating earnings, due to a sizable rise in the average rate of interest earned and in part to an increase in the average amount of funds loaned, increased by 16% to $4.70 over those of 1955. At the current price of 66 Guaranty stock sells at 14 times these earnings, and yields 4.9% on the current $3.20 dividend rate.

Reinvigorated Chemical

Olin Mathieson seems to be an issue with a fresh lease-on-life shaking off a price-drag stemming from its having been dubbed a flabby industrial omelette. Now the nation's fourth largest chemical company, Olin's major fields of interest besides chemicals include arms and explosives, pharmaceuticals, metals, cellophane, paper and forest products, and nuclear and high energy fuels. Already having experienced sizable gains in sales and assets since formation via a consolidation of Olin Industries and Mathieson Chemical in August, 1954, the enterprise is now engaged in a progressive stage of internal growth. It is expected by interests close to the company that, particularly stimulated by a major move into primary aluminum production, earning power will further be doubled by 1960—surely an outstanding achievement even in a growth industry.

A Blue Chip's Pros and Cons

International Business Machines, up in the 300-price range, continues on as a highly-favored trading vehicle, with a market volume of 77,-800 shares registering in as the Exchange's eleventh most active stock of the week.

Whereas the issue seems high to many on the basis of statistical standards of analysis, the issue is still liked by many long-term investors wholly apart from the current split and rights factors. The potentials internationally and via defense demand at home are the main factors now stressed to fulfill the targets appropriate to justify the current stratospheric price-earnings ratio.

IBM bulls further point out, in rebutting the statistical frustrations, that long-term investors who bought the stock at a high of 14 times earnings in 1947, at 25 times earnings in 1955, and at 34 times earnings in 1956, have all become well rewarded. The stock recently rose to a level 17% from its 1956 high, 83% above its 1955 peak, and 850% over its 1947 top.

Bears, on the other hand, point to the steady climb of the price-earnings ratio to a multiple of 37, with the implied assumption that sales shall multiply each six years; and call attention to the dwindling of the dividend yield to 0.8%. In any event, it will be most interesting to note the market course of this glamor stock after the combined speculative stimulant of split and rights are out of the way.

"Still a Buy"

Despite its market trebling during the past two years, Schering in the '70's is still regarded with favor. Sales have risen from $20 million in 1954 to $46 million in 1955 to $55 million last year. Even more strikingly, earnings have grown from 89 cents in 1954 to $4.71 in 1955 to $6.04 in 1956; with $7, not counting $1 a share additional from unconsolidated foreign subsidiaries, expected this year.

To insure the long-term permanence of this "super-growth" situation, research activities are being vastly broadened, new production facilities are being planned, projects are being undertaken in the drug and veterinary fields, and operations abroad are being expanded. With the stock selling at barely 10 times this year's prospective earnings, its growth characteristics seemingly are not over-discounted.

Promising Utility

Also having growth characteristics, this one in the utilities field, is West Penn Electric at 28.

West Penn is a holding company serving a broad area covering parts of Pennsylvania, West Virginia, Maryland, Virginia and Ohio — a territory with great natural resources including bituminous coal, limestone, glass sand and timber, and with a widely diversified group of industries. Modernization, and automation of the industries already served, along with the addition of new companies in the field of aluminum production and electronics, give an added push to the issue's prospects. And in the residential sector, the company's main subsidiaries have recorded gains considerably above the national average.

At 28 the dividend of $1.50 affords a generous yield of 5.4%, which is considerably above the average of this industry. With earnings on the increase — to $2.15 last year from $2.06 in 1955—a rise in dividend and yield may be expected in the reasonably near future. Income per share has risen all the way from $1.15 in 1946.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Join K. B. Stucker

(Special to THE FINANCIAL CHRONICLE)

MIAMI SHORES, Fla.—Mary E. Coffey, Norman J. Duval, Samuel A. Goodman, and Robert F. Robinson have become affiliated with Kenneth B. Stucker Investment Securities, 8922 Northeast Second Avenue.

Chicago Inv. Women Re-elect Mrs. Burhans

CHICAGO, Ill.—Agnes C. Burhans of Dean Witter & Co. was re-elected President of Women of Chicago for 1957-1958. Lucille B. Guenther of Northern Trust Co. was also re-elected Vice-President. Other officers were Vivian R. Jones of Reynolds & Co., Recording Secretary; Ruth T. Miller of Hornblower & Weeks, Corresponding Secretary; Audrey F. Miller of Wellington Fund, Treasurer; and Marjorie H. Rosen of Mullaney, Wells & Company, Assistant Treasurer.

Agnes C. Burhans

Consolidated Natural Gas Debentures Sold

White, Weld & Co. and Paine, Webber, Jackson & Curtis and associates offered yesterday (June 12) $25,000,000, of 4 7/8% Consolidated Natural Gas Company debentures due June 1, 1982 at 101.085% plus accrued interest, to yield 4.80%. The group won award of the issue June 11 on a bid of 100.1599%.

Net proceeds from the sale of the debentures will be used to finance in part the company's 1957 construction program, estimated to cost $74,000,000. The balance of the funds required will be secured from additional financing and from general funds of the company.

A sinking fund will retire $20,000,000 of the debentures prior to maturity. The debentures are redeemable at optional redemption prices ranging from 105.96% to par, while sinking fund redemption prices range from 100.96% to par.

Consolidated Natural Gas Co. is engaged through five operating companies in the natural gas business. The subsidiaries constitute an interconnected natural gas system engaged in all phases of the natural gas business — production, purchasing, gathering, transmission, storage, and distribution, together with by-product operations. Principal cities served at retail are: Cleveland, Akron, Youngstown, Canton, Warren, Massillon, Niles and Marietta in Ohio; Pittsburgh (a portion), Altoona, Johnstown and Monessen in Pennsylvania; and Clarksburg, Parkersburg, Fairmont and Morgantown in West Virginia.

Joins C. D. Cevaal

(Special to The Financial Chronicle)

LAKE WORTH, Fla.—William A. Lockwood has joined the staff of Calvin D. Cevaal Investment Securities, 810 Lucerne Avenue. Mr. Lockwood was previously with Frank B. Bateman, Ltd.

Join Jerry Thomas

(Special to The Financial Chronicle)

PALM BEACH, Fla.—Ernest M. Stockton, Sr., Ernest E. Collins, Sr., and King R. Thaxton are now with Jerry Thomas & Co., Inc., 238 Royal Palm Way.

Joins W. G. Houston

(Special to The Financial Chronicle)

QUINCY, Ill.—Dorothy L. Culp has joined the staff of W. G. Houston & Co., Mercantile Building, member of the Midwest Stock Exchange. Mrs. Culp was previously with A. G. Edwards & Sons.

Donald S. Kennedy Again Heads Edison Electric Institute

Electric industry's trade association re-elects Donald S. Kennedy as President, and J. Wesley McAfee as Vice-President at 25th Annual Convention.

The Twenty-fifth Annual Convention of the Edison Electric Institute, held in Chicago, installed Donald S. Kennedy for the second consecutive time as its President on June 5th. Elected to the Vice Presidency was J. Wesley McAfee. Mr. Kennedy is Chairman of the Board of the Oklahoma Gas & Electric Co. Mr. McAfee is President of the Union Electric Co., St. Louis.

Donald S. Kennedy

J. W. McAfee

New Directors

The newly elected members of the Institute's Board of Directors, whose terms expire in June, 1960, are:

Walter Beckjord, President, Cincinnati Gas and Electric Co., Cincinnati, Ohio.

W. C. Bell, President, The United Illuminating Co., New Haven, Conn.

N. A. Cocke, President, Duke Power Company, Charlotte, North Carolina.

James F. Davenport, Executive Vice-President, Southern California Edison Co., Los Angeles, Calif.

T. W. Delzell, Chairman, Portland General Electric Company, Portland, Oregon.

C. S. Dinwiddie, President, New Orleans Public Service Co., New Orleans, La.

Willis Gale, Chairman, Commonwealth Edison Co., Chicago, Illinois.

M. L. Kapp, President, Interstate Power Company, Dubuque, Iowa.

W. T. Lucking, President, Arizona Public Service Co., Phoenix, Arizona.

W. W. Lynch, President, Texas Power & Light Co., Dallas, Texas.

L. C. McClurkin, President, Savannah Electric & Power Co., Savannah, Georgia.

John J. McDonough, President, Georgia Power Co., Atlanta, Georgia.

A. R. Schiller, President, Public Service Company of New Hampshire, Manchester, N. H.

G. W. Van Derzee, Chairman, Wisconsin Electric Power Co., Milwaukee, Wisconsin.

J. Theodore Wolfe, President, Baltimore Gas & Electric Co., Baltimore, Maryland.

Mr. Kennedy's Background

The re-elected President was educated in Indiana public schools, Butler University and the University of Arizona, and was graduated from the latter with a degree in accounting and economics in 1923. He joined Oklahoma Gas and Electric Co. in July of that year as a bookkeeper in the accounting department and progressed steadily through various positions to that of traveling auditor. In 1940 Mr. Kennedy was named assistant to the treasurer at the company's headquarters in Oklahoma City. Two years later he became Vice-President, Treasurer and a director and held these offices until 1947 when he was relieved of his duties as Treasurer so he could devote full time to administrative work. He was elected Executive Vice-President in 1947 and held that office until 1949 when he was elected President of the company and Chairman of the Board. An avid booster of Oklahoma, he has been a driving force in many activities throughout the entire State.

With First Florida

(Special to The Financial Chronicle)

ORLANDO, Fla.—John R. Barna has been added to the staff of First Florida Investors, Inc., 51-53 East Robinson Avenue.

With Lakewood Secs.

(Special to The Financial Chronicle)

LAKEWOOD, Ohio — Mark M. Morelli is with Lakewood Securities Corporation, 14714 Detroit Avenue.

John Harrison Adds

(Special to The Financial Chronicle)

ORLANDO, Fla.—Rufus Barringer is now with John H. Harrison & Company, Florida National Bank Building.

Joins Central States

(Special to The Financial Chronicle)

MANSFIELD, Ohio — Harry P. Snyder has joined the staff of Central States Investment Co., 271 Poplar Avenue.

Kaiser Industries Common Stk. Offered

The First Boston Corp., Dean Witter & Co. and Carl M. Loeb, Rhoades & Co. on June 11 headed a group of underwriters making a public offering of 900,000 shares of Kaiser Industries Corp. common stock (par $4) at $15.75 per share.

The proceeds from the sale of the stock will be received by selling stockholders. Of the 900,000 shares, some 759,800 are owned by Kaiser interests, and the remaining shares were acquired by stockholders of J. A. McEachern Investment Co. following its merger into the corporation in May, 1957. After the sale of these shares, the Kaiser interests will continue to own 18,680,643 shares, or 81.3% of the corporation's common stock.

Kaiser Industries Corp. has direct and indirect controlling interests in a number of affiliated companies. It owns 100% of the common stock of Henry J. Kaiser Co. and Willys Motors, Inc. The former conducts a substantial engineering and construction business and is a major producer of sand and gravel in the San Francisco Bay area.

The major affiliates are Kaiser Steel Corporation, 80% controlled; Kaiser Aluminum & Chemical Corporation, 45% controlled; and Permanente Cement Co., 39% controlled. Kaiser interests in these companies had an aggregate market value on June 7, 1957 of over $483,000,000.

Net earnings of the company for the year ended Dec. 31, 1956 amounted to $14,971,000 after a credit on Federal income tax and its equity in earnings of unconsolidated affiliated companies for the period from March 16 through Dec. 31, 1956 was approximately $21,340,000. Comparable figures for the first quarter of 1957 were $6,009,000, net earnings; and $5,996,000 equity in affiliated company earnings.

R. Sims Reeves With Forward Look

R. Sims Reeves, now special representative for the Chrysler Manhattan Co., Inc., New York City, was present at the Bond Club of New York outing with his Chrysler Imperial beauties. Mr. Reeves was formerly in the stock and bond business.

To Be Hirshon, Roth

Effective June 10, the firm name of Hirshon & Co., 44 Wall Street, New York City, members of the New York Stock Exchange will be changed to Hirshon, Roth & Co. Emil J. Roth, member of the Exchange, will become a general partner in the firm, and Eva B. Ungerleider and Selma Ungerleider, limited partners. They were formerly partners in E. J. Roth & Co. which will be dissolved.

Uninformed Public Best Asset Of Government Power Zealots

By EDWIN VENNARD*
Vice-President and Managing Director
Edison Electric Institute

Electric Institute director attributes continued government encroachment in the power field, despite excellent record and despite substantial opposition, to a strong correlation between knowledge of facts and opinions. Mr. Vennard recommends going to the public with the economic facts of life now that the curious habit of the American people, to believe in collectivism when uninformed and to believe in free enterprise system when informed as to the facts about our economy, is established. In recommending an information program for employees, stockholders, opinion leaders and the general public, the industry's spokesman warns of the difficult task ahead in order to preserve for posterity the benefits of freedom

America's electric light and power companies face a challenge —a challenge presented by a problem that has been with us for many years. Although it may have a new paint job from time to time, the ever-present threat of government encroachment into the power business has kept the same old chassis and driving mechanism. Government encroachment into the power business is but a part of a much bigger problem concerning man's freedom. This bigger problem has to do with the kind of society in which men live. As Americans, we have a duty to our fellow citizens as well as to ourselves to help solve this bigger problem. We will be helping when we find an effective solution to our own.


Edwin Vennard

Opposing Systems

In seeking that solution, let us first of all clear the air and prevent misunderstanding over words. When we talk of social, economic and political systems, we often run into confusion caused by the different terms people use to describe these systems. Basically, there are only two systems. At the risk of oversimplification, we can say that there is on the one hand the system under which people rely on their government to do for them those things which they can and should do for themselves. Under systems of this kind, no matter what names people give them, the individual is not free.

On the other hand, there is the system under which the individual takes care of himself, with a limited government to maintain order and fair play. Under systems of this kind, man retains his freedom from domination by other men.

The choice between these two systems is the issue that is facing nations everywhere today. It is an issue that has faced people throughout all history, perhaps from the beginning of time.

All those systems under which freedom is absent — where the citizens must rely upon government for their personal security —have in common the fact that the government either owns or operates the machinery of production. In all such cases the government owns or operates the power business as part of that machinery.

Here in America, our national philosophy places emphasis on the dignity and importance of the individual as distinguished from the power and authority of the state. We believe, as our founding fathers did, that man was created by God and that he should be free to work out his own destiny. We have reached our high standard of living in America because here, man has largely freed himself from domination by government, and has taken an active part in working out his own destiny.

Over the past 25 years there has been an increasing tendency on the part of many Americans to call upon their government to do for them more and more of those things which the individual citizen can and formerly did do for himself. This is not a party matter; in a free society where government is subject to the will of the people, when men call upon their government for services or for money, the government will attempt to supply it.

No Popular Demand

The irony in the case of governmental encroachment in the power field is that there has never been a genuinely popular demand for Federal power. However, for a long time there has been a small, dedicated band of public power zealots who have worked tirelessly in promoting it. Whether they have the purest of altruistic motives, or whether they view the federalization of power as a stepping stone to changing our form of government, we cannot judge. It may be that some have political pork-barrel objectives in mind; but there is no doubt that there are many people who are sincerely convinced that "public ownership of power" is desirable; and there are others who have an interest in continuing to enjoy the subsidies granted to government power users.

This is not to say that those in America who believe in so-called "public power" are socialists or communists. Most of them are not; most of them are good Americans. But there is grave danger that without fully realizing what they are doing, these people may fall into the same trap that has cost many nations their freedom. By far the greater number of people are still unaware of—and therefore largely indifferent to— the dangers inherent in socialized power.

Obviously, the problem we are discussing is complicated and its solution will be difficult; but certain things that some companies have done in the past give us reason to believe that there is a solution available to us as an industry — if we are willing to pursue the course it indicates.

The activities of these companies had their beginnings in the 'thirties. At that time the electric industry was faced with a scarcely disguised all-out effort of public power advocates aimed at government operation of the power business. It had many fronts, it took many forms, and it was partly successful.

During the early 'thirties a new technique of sampling public opinion came into being. Two scientists in the field of opinion research, Dr. George Gallup and Dr. Claude Robinson, developed a formula under which the sampling could be carried on with a high degree of accuracy. Here was a new tool to assist power companies in their public and employee relations activities. By this sampling process, it became possible to find out what people liked and what they disliked, and to find out what they knew and what they did not know about the power business.

Some individual companies and groups of companies decided to make use of this new tool. They sampled opinion in their own service areas and in larger areas covering many states. By doing so, they learned that they were doing some things that people did not like, and they did less of them; they found out the things they were doing that people liked and they did more of them. That is the essence of good public relations.

Unfriendly Attitude Due to Lack of Facts

While they were doing this, they made another discovery. They learned that many people were very poorly informed about the power business. They learned at the same time that a large share of the unfriendly attitude toward the industry could be traced to a lack of knowledge of facts.

For example, when a person said he was in favor of government operation of the power business, the interviewer asked why. Fully half of the people replied "To get lower rates." This is understandable. People want the best price they can get.

In one survey, people were asked, "Have the electric rates here been reduced much or any at all?" Only 13% said they had been reduced, while 60% said they had not, or that they had risen. Twenty-seven percent had no opinion. Apparently people didn't realize that the average price of our product—electricity— had been declining steadily ever since the birth of the industry.

Although the average price of household electricity is only 34% of what it was in 1916 while the cost of living is two and a half times as high, apparently the general public was not aware of this trend. The companies wondered whether, if people knew the facts, the attitude toward government operation might change. To find the answer to this question they embarked on a program of advertising designed to let people know about the power business and its price record. In this advertising they repeatedly used the phrase, "the average family now gets twice as much electricity for its money as it did about 20 years ago." From the surveys, they found other instances where people were uninformed or misinformed about our business. They designed programs to give people this information, too.

Measurements of knowledge and attitude were made before and after the programs. In every case these surveys showed that when the people had the facts, their attitude toward government operation of the power business changed.

The groups of companies that were working together quickly learned that it was more economical and efficient to use national communicating media to present those facts and those issues that were common to all companies. The participating companies began using those media because they were more efficient, more economical and more effective on this kind of issue.

Illustrative of the kind of results they obtained is the response to one survey on the question of rates, made in 1943. At that time, only 19% of the people questioned expressed faith in the companies' ability to deliver electricity at a reasonable price. During the next eight years, there was a steady increase in the number of people who thought local electric rates were reasonable. About the end of that period, the Mutual Life Insurance Company made a survey to find out what commodity people thought gave them the most for their money. The overwhelming choice was electric service. A survey made this year by Opinion Research Corporation shows that 68% of the people asked feel that electricity gives good value for the money.

This price story illustrates an important point in the analysis of our problem. It is not enough to make the price fair and reasonable. The fact must be told. The results show how fairly the American people respond when they are informed.

In the course of this research on public attitudes about the power business, some important and pertinent facts came to light about the kind of society under which we live and about the preservation of freedom. The public opinion surveys often contained philosophical questions. The answers to these questions given in the late 'thirties showed that a substantial number of people were in favor of some of the same social, economic and political principles espoused by socialists and communists. There seemed to be a strong tendency on the part of many people to look with favor upon government operation and control of the economy—a tendency on the part of the people to call upon their government to take care of them.

Lack of Economic Knowledge

The previous experience with the price issue gave reason for the belief that these attitudes could also be traced to a lack of knowledge of facts—in this case facts about our American capitalistic system, about how wealth is produced, about profits, division of income, the place of machinery in our economy, and the fact that machinery has to earn a fair return in order to encourage people to use their savings to buy more machines. Some exhaustive research was carried on to see if this was so.

People were asked fact questions about our economy: How much are profits? How much should they be? How is income divided between the employees and the owners? Are you for or against machinery? Do machines put people out of work? Does government produce wealth? Analyses of the answers given to these questions of fact revealed a great lack of knowledge on the part of many people.

The results showed that when people are informed as to the facts about our American economy, they tend to believe in the free enterprise system; but, when people are uninformed as to the facts about the capitalistic system, they tend to believe in collectivism — the system under which government operates the economy.

This was a situation similar to the one encountered on the price

*An address by Mr. Vennard before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 5, 1957.

issue. Uninformed people were thinking in terms of government operation of the economy. This fact gave reason to believe that if they were informed, they would favor the principles of free enterprise.

To see if this reasoning was valid, experiments were conducted here and there, in this town and in that one, in this company and in that company, among this group of employees and that. They tried various means of communication—advertising booklets, lectures, conference techniques—to determine the relative efficiency of the different ways of communicating with people. The interesting fact is this: In every case, as people learn more about our American free enterprise system, they tend to become more strongly in favor of it, and they tend to refrain from calling upon the government to do for them those things which they can do for themselves.

A Curious Correlation

These efforts have established an unshakable correlation between information or the lack of it, and basic philosophical beliefs. Today we as an industry are faced with a philosophical problem which is as old as time itself. This philosophy of "government take care of me" and the loss of freedom inherent in it has plagued mankind since the beginning of history. It is an evil thing.

Here, in this research, was to be found a possible means to keep that plague from striking America. Many of us then began earnest efforts to explain the facts about our American economic system. Since we began that work, we have been encouraged by the gradual but significant improvement which has been taking place as revealed by regular surveys. Much has been accomplished. For this reason there is room for optimism about what can be done in the future. This research has indicated that possibly the solution to our problem is in our hands. We have the facts and we have the various ways of communicating them to others. For years people in the power industry have been asking themselves "Why does government encroachment in the power business continue today despite our excellent record in the areas of engineering, finance, sales, economics, price, and service? Why does it continue despite the fact that a substantial majority of our people don't want it?"

Perhaps now it is safe to say, on the basis of this research that has been done, that it continues because the great majority of the American people are unaware of these basic facts:

(1) Government gives tax money without interest to Federal power projects, which are purely commercial operations.

(2) Government lends tax money to further these commercial power operations at an interest rate below the market price.

(3) Tax discrimination.

(4) Preference or discrimination in the sale of government power.

In the case of TVA, for example, the Federal Government has given $1.4 billion of taxpayers' money for the building of power facilities. The government charges no interest and TVA pays no interest on this money. In other cases, the Federal Government lends tax money for the building of power facilities and charges an interest rate which is less than the value of the use of the money.

Government power projects pay no Federal income taxes at all. In most cases, government power projects pay no local taxes. Only two projects pay anything in lieu of local taxes, and those payments are considerably less than the taxes paid by companies. On the basis of percent of gross plant investment, TVA for example pays in tax equivalents about 1/22 of all the taxes that power companies pay.

The preference clause is a device under which the 80% of the American people who get their power from taxpaying power companies are discriminated against in favor of the 20% who get their power from a supplier exempt from Federal taxes. As will be shown later, government subsidies enable government power projects to sell power below cost at the expense of the nation's taxpayers. The preference clause states that public bodies and cooperatives shall have preference in the purchase of this subsidized government power. Thus, the preference clause tends to perpetuate and expand the evil. It encourages the formation of even more tax-free groups. Now, when our government expenditures are at a record level, a wide and equitable sharing of the nation's tax load seems imperative.

Unforeseen TVA Changes

TVA is a good example of a government power project. An analysis of the TVA power business will show how the factors under discussion enable government encroachment to continue despite the fact that it is against the will of the majority of the people.

(1) **TVA Has Changed.** The complexion of TVA has changed over the years. Originally, it was intended to be a project for the building of a series of dams primarily for flood control in the Tennessee Valley and navigation on the Tennessee River. All but 1% of TVA's electricity was hydro power in 1939. Electric power generated at these dams was to be "incidental" to the primary functions because it was believed then that under our Constitution, the Federal Government could not build power plants for the sole purpose of generating and selling electricity. The incidental electric power was to be sold to the people of the area.

The TVA Act does not authorize TVA to build steam plants. The generation of power for sale is a business, and, like all businesses in America, is a function of its citizens and not of the government.

(2) **How the TVA Project Has Changed Since 1939.** Now, about 75% of TVA's total generation is by steam plants. Most of the growth of steam power has occurred since 1950. Not only has the project as a whole been growing in size at a rapid rate, the relative size of the power portion has grown as well. In 1939, 59% of the investment was in power facilities. In 1956, that figure had risen to 82%. A substantial part of the power investment is devoted to the sale of power to Federal agencies such as the Atomic Energy Commission (AEC).

And so we have in TVA now a project whose dominant purpose is the generation and sale of electric power. The Federal Govern-

Continued on page 30

The Private Utility's Future Depends on Consumer Attitudes

By KINSEY M. ROBINSON*
Chairman of the Board and President
The Washington Water Power Company

The road ahead for private utilities is on the up-grade, though stormy, according to water power executive who cites an array of evidence, including his own firm's important election experience in Stevens County a little over a year ago, showing "the public is on our side to start with." Mr. Robinson calls attention to the paradoxical voters' opposition to socialism and to public power, and growing acceptance of back street socialism of mixed-economy, pensions and other welfare objectives. Among suggested recommendations of getting closer to the public and acquainting them with the facts of private utilities, the author advocates standing up, challenging, and putting spotlight on falsifiers who spread misinformation.

It is quite natural that we include in the list of serious subjects the recurring problem of the consumer. Therefore, again we wish to give the customer our consideration; and we may well ask, how does the electric industry stand with its public? Do latest barometer readings show fair or stormy? Are the winds of consumer sentiment mild, or is it possible that adverse groups have lowered attitude a few degrees? Have we made headway over the past year, toward survival; or like Napoleon's historic retreat, are we now compelled to pause at a new position in order to reappraise our manpower, and to again take stock of our resources?

Kinsey Robinson

There seems to be no absolute answer to these questions.

Actually, as the years go by, Father Time has contributed both gains and losses. It is the long haul we are concerned with. A few of us, as a result of accomplishment, may feel satisfaction. For myself, however, I must admit that despite the blessings of growth and opportunity, there are sufficient signposts pointing ten years ahead to make each of us disturbed. I do not stand alone in this conviction.

When I chance to meet an acquaintance on the street, such as from the steel industry; or when I meet a railroad executive, or one engaged in manufacturing, a question is usually asked. It is this: "How are things going with you, Kinsey?" And somehow I sense an awareness that the other fellow is referring to the controversy which seeks to destroy the electric industry. In two sizeable areas in the United States, private utilities have already been destroyed. Most of our business associates know all too well that we face a fire that is not under control. And though the handshake is one of friendliness, there seems to exist a real concern regarding our conflict; and it always comes—well—it comes as a dash of bitters. For no matter how many critical situations I have passed through, and some of them successfully, the fact remains that our road ahead is on the up-grade and stormy, just as it has been in the past, if we care to look behind.

And it occurs to me that there are three principal questions which may be held up for consideration. These questions are as follows:

Principal Questions

First, I would ask if any single company is exempt from the type of propaganda which floods the nation today. This question calls for some introspection; for if any company is exempt, then the rest of us can better understand why more is not being done regarding our survival.

Secondly, I would ask, to what extent is the public itself affected by adverse information? Do our customers nod in agreement when millions of newspaper articles or threats in radio repeat some damaging half-truth? Does the consumer see through this glitter of propaganda, or is he slowly accepting it?

The third question I would discuss has to do with private utility efforts to counteract this adverse propaganda. Has private management made progress toward a unified viewpoint? Now and then the advice is given that we should let well enough alone. Some leaders say that the disparagement of others only worsens matters. Some may believe that the consumer is not taken in by this dense cloud, that he accepts it for what it is—sheer propaganda. Others may believe that the consumer does slowly accept it. Therefore, our third question asks, is it better to fight or to run? What would happen if this great assembly resolved here and now to do more about our serious problem of survival than we did yesterday, and much more than we are doing even here today?

Freedom of Speech

Does propaganda leave our customers convinced or confused? It is unfortunate, in a way, that we live in an age of propaganda, and that the population can be maneuvered by a few master minds. Public opinion is no longer formed by the slow process of shared experience. A small group with brilliant minds and aggressive spirits often conceives a plausible goal. From this humble beginning, the idea spreads. Slogans are formed, and the public is deluged with catch-phrases and benefits. It is only natural that hand in hand with active propaganda, an aggressive enemy will try to silence the opposition.

In the State of Washington this past session of the Legislature, a few law-makers in a hurry to reach the socialist goal (which is death to the private utility), introduced a bill which would make it illegal for any employee or official of a private company to criticize a PUD. It would be illegal to criticize either electric rates, or to infer that the PUD might be socialistic, or to say anything that may cause discontent with present customers, or which might cause the voters to reject the formation of a new PUD under consideration. The penalty was to be two years in prison, and up to $5,000 fine for both employee and for company officials. And while I am glad to say this bill did not get very far, it does give us something to think about.

The basic principles of Americanism, the foundation stones upon which our country was built, seldom bother these extreme advocates of public power. Freedom of speech they assume is for themselves, and for them alone. Democracy is interpreted as public ownership. Truth is upheld only when it is favorable to the socialist cause. The formula of these skilled propagandists is to take credit for benefits which came from private industry. It means that our enemies constantly smear us. But, if propaganda fails, if it proves unsuccessful, these zealots who seem to thrive in a climate of discord would resort to the strong arm of the law. And we ask ourselves a question in elementary psychology.

Flow of News

Is it possible for Mrs. Jones living across the street, or the attendant at the service station, or the businessman in his office—all of them customers of every utility in America—to read poisonous reports day after day; to hear charges of private utility greed and corruption; to catch the inference that private utilities are retarding progress; that they are wasting natural resources; that there is manipulation going on in finance; or illegal influence upon public officers—I say, can our customers hear and read all this without believing some of it?

It must not be forgotten that former President Truman received 24,000,000 votes when he last ran for the nation's highest office. And when he stood erect—as straight as he could stand—and said that the private utilities were spending millions of dollars wrongfully, and should be investigated under the corrupt practices act; when he said that his heart bled for people whose life was "being skinned out of them by private companies," I am quite sure that someone was listening. And the sixty-four dollar question is, just how many did listen?

Last week I picked up one of our western labor papers. With customary bitterness, the paper apparently endorsed an amendment to the Federal Power Act which would regulate powers of the Commission, so as to prevent another Hells Canyon decision favorable to private utilities. The article did not mince words.

But there are other kinds of propaganda reaching our customers. For example, a series of **Public Affairs** pamphlets are being offered for sale to the consuming public. I counted ninety-one pamphlets on the list, and on the cover of one entitled "The Case for Competition in Electric Power," there appeared this disarming paragraph, and I quote: "For twenty years Public Affairs pamphlets have stood for the best in public service. You can rely on their accuracy, timeliness, and readability. They have long been utilized by organizations, civic groups, churches and schools."

The first few pages of this disarming approach were readable and fair. But the next twenty-eight pages were something else again. They told of monopolistic conspiracy; failure of regulatory commissions to have jurisdiction; the people's revolt against corruption and monopoly; the coming of TVA which led the entire nation out of their bondage of high rates; efficiencies inherent in public power; and the corrupt propaganda of private management to prevent the blessings of a high Hells Canyon development. There are literally thousands of such blasts flooding the nation.

But even more serious is the flow of news releases coming from many sources, including governmental groups.

Personally, I would hesitate to say that the many Congressional investigations into private utility operation today are motivated by political objectives. I dislike to admit even to myself that men elected to public office, supposed to be honorable and having integrity, would spend thousands of taxpayers' dollars to investigate some shoddy premise, and waste countless hours of time for the purpose of intimidating private utilities and forcing them to silence.

One-Sided Propaganda

Certainly it is well-known that extreme public power groups have urged Congress to silence private management. A recent issue of "Public Power" magazine asserted that the private utility program could be stopped and forestalled by what was termed "pitiless publicity and by Congressional investigations." The April issue of "Rural Electrification Magazine" also demands Congressional action. The April magazine openly says that "Rural electric leaders have on numerous occasions called for federal investigation of private utility influence peddling and dishonest advertising." The magazine went on to say that resolutions were passed at the last meeting, first, to "ban dishonest advertising under the Fair Trade laws;" secondly, to "amend the Federal Power Act to forbid the deduction of propaganda as an expense chargeable to customers;" and thirdly, to "amend the Internal Revenue Act to forbid the cost of propaganda in computing corporation income taxes."

Of course, it may be coincidental that present investigations and the public power demand for them occur at this particular time. All I will say is this: If these committee inquiries, and others probably yet to come, are seeking after truth; if they are honest of intent, then both sides of the question should be looked into. There is no other possible way to arrive at the truth.

One Congressman, after a recent, and I may add, expensive hearing, as to a few simple booklets prepared and distributed by private utilities, had this to say. I would like to quote him directly, because his remarks infer a sad absence of integrity somewhere. ". . . The report leaves an impression of a deliberate attempt through the use of taxpayers' money to create and publish propaganda regardless of the facts, which will result in destroying privately owned, in establishing public ownership of, electric facilities." The report went on to say that this appears to be part of a studied effort to establish policies which will ultimately give us government ownership.

On another occasion, after testimony had been given before a capable governmental committee by a public power witness, one of the Congressional members made similar comment. He said, "I have heard a lot of testimony in my time, but I believe I have never heard one that has been quite as arrogant and seemingly to me biased and . . . unfair." This legislator went on to say that all private utility people could not be as bad as the public power representative said they were, and it was remarked that it would be something to worry about if the TVA spawned the type of arrogance which this public power representative advocated.

I have still another comment I should like to read. It comes from a representative from the State of Iowa and is in answer to a letter from the local president of the National Hells Canyon Association. Here is a tongue lashing that should be given wider publicity. I quote: "Normally, I would not waste my time in answering a letter so full of errors and misstate-

*An address by Mr. Robinson before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 5, 1957.

ments of facts. However, when people like you solicit and collect money to pay for the issuance of misleading and erroneous statements to the public for the purpose of influencing elections, and the promotion of federal power empires, I feel an obligation to the American people to present the true facts. . ." The letter goes on as follows: "I wonder if your errors and misrepresentations are typical of the literature used throughout the Northwest in efforts to elect candidates favorable to Hells Canyon and a federal power empire . . . I personally would not be proud of having been elected through such efforts."

With so much one-sided propaganda released for public consumption, we may now ask, how does the consumer himself react to it?

Level-Headed Consumer

The truth is, the consumer is not too much concerned. I am convinced that these consumers whom we talk about are not enemies of big business, and are not inclined to become such. The customer does not hate private utilities. He is not turning into a socialist—at least not while in his right mind. Upon more than one occasion I have expressed the belief that the American people are basically fair and honest, and that they can be depended upon to make sensible decisions if they are in possession of all the facts. It is a tendency on the part of the public to live in peace. People are inclined to feel helpful and kindly toward others about them. They value the institutions they must live with. Irresponsible efforts to create prejudice, to create revolution, are often seen through as flimsy and dishonest affairs. Open hostility against a business firm has resulted more than once in sympathy for the besieged. I repeat, the public will not be deceived if given the facts.

A 1955 survey of public opinion showed that the favorable trend toward business management had increased during the past dozen years, while opinion regarding government ownership had gone down. True, the public has not been entirely deaf to the rumblings of public power. People would like continued government regulation. There is still some suspicion, some doubt. But a great majority say that rates are reasonable; service is good; and people are overwhelmingly convinced that socialism would be a bad thing.

Two careful surveys have been conducted in Oregon and Washington, following the last election, to learn if the voters actually wanted public power. A rumor got started somewhere—perhaps by public power election winners themselves—that a majority vote was a mandate of the people for public ownership. This viewpoint has been echoed across the nation. The company wanted to get the truth about this question, and I can report that the survey certainly did not bear out public power's typically inaccurate propaganda. In Washington, for example, only 16% of the voters said that power influenced their vote for U. S. Senators. Only 5% said power influenced their choice of Congressmen. This survey showed that only 20% of the voters thought the Federal Government should do all the dam building in the Pacific Northwest, while fifty-three in each hundred favored private industry's going ahead with its construction programs. In the State of Washington, 85% of voters considered the cost of electricity satisfactory, while only 11% were critical. To the straightforward question: "Do you favor private ownership, or government ownership of the electric industry?" only 15% favored government ownership, while 45% were favorable to private operation. The PUD cause was favored by only 2% opinion. Certainly there was no mandate for public power in Washington State, and Oregon voters are likewise sound in their thinking.

Public opinion surveys can occasionally be wrong, however, but certainly not elections. President Eisenhower and his partnership policy, which attempts to restore the power business to a sensible basis, with all segments participating, produced a vote count that speaks for itself. The opposition ticket failed to carry a single one of the so-called public power states.

Public Is On Our Side

During a ten-year period from 1946 to 1956, there were 207 clear-cut elections on the subject of public power, and private utility operation won 173 of these elections, ranging over thirty-two states. In the first six months of 1956, investor-owned companies defeated government power in ten out of thirteen elections. Federal Power Commission and EEI records show that 4,298 towns have tried municipal ownership at one time or another, and that by 1955 only 1,991 had survived, by the consumers' choice.

In Canton, South Dakota, consumers voted two to one to have service from a private company. In Granite Falls, Minnesota, the Northern States Power won a similar election. In a free election at Ogdensburg, New York, the citizens of that community voted to receive their electric service from the Niagara Mohawk Power Corporation. Members of the Sandy Cooperative, in Oregon, voted 571 to 99 to sell their electric properties to the Portland General Electric Company, and so on.

Perhaps one of the clearest and strongest examples of consumer preference for private utility service came from Stevens County, Washington. Here the law actually prohibits the dissolution of a PUD once it is organized. The PUD is in the saddle to the end of time, if it wants to stay there. But the people of Stevens took the trouble to learn the facts, and public pressure and nothing else forced the PUD commissioners to put the issue to a vote. This was something new in Washington. On election day, turning deaf ears to promises by the PUD commissioners to give lower rates, the people voted 71.4% for private operation. One precinct in a municipal ownership town voted 83% for the private company. PUD commissioners, even in their own precincts, didn't have a chance. Once the people knew the facts, they were fearless in expressing themselves.

Now, we ask, are people getting the facts?

As to this aspect of public power progress, I must say that private industry is not doing so well. Three important socialist rules have been in effect working against us. They are as follows:

Three Socialist Rules

First, never call an idea or program socialistic. Talk about pensions, compensation, health, insurance, welfare, but not socialism. Rule Number Two—launch the

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Let's Face It: Business Men Are Helping Undermine Private Power

By HARLLEE BRANCH, JR.*
President, The Southern Company

Mr. Branch reports that efforts to prevent governmental encroachment in the electric power field continues, while new technological developments are being used as the basis for demands for further "federalization" of the utility industry. The utility President states the battle is a tough one but with courage, optimism and leadership it can be won. Advises electric power heads that it is useless to meditate in private and talk only to themselves about the basic foundations of our American way of life, and dissects the real dangers of taxes, territory and tyranny. The author praises newspapers for agreeing that utilities have the right to publicize their views on public power.

Former President Herbert Hoover, who has lived long enough and proved himself wise enough to be considered a true elder Statesman, has observed that:

Harllee Branch, Jr.

"If America is to be run by the people, it is the people who must think. And we do not need to put on sackcloth and ashes to think. Nor should our minds work like a sundial which records only sunshine. Our thinking must square with some lessons of history, some principles of government and morals, if we would preserve the rights and dignity of men to which this nation is dedicated."

I should like today to challenge you as responsible American citizens and as leaders of a great and useful industry to do a bit of thinking of the kind suggested by Mr. Hoover — thinking geared to the lessons of history and the traditions of our republic; and, most of all, thinking which frankly and fearlessly faces up to the shadows as well as the sunshine of the contemporary political and economic scenes.

In turn, I hope you will be encouraged to challenge others — your employees, your customers, your investors, your neighbors and your governmental officials— to also think along these lines. For if there is any one lesson we should have learned by now, it is the uselessness of meditating in private and talking only to ourselves about the basic foundations of our American way of life.

During the past year highly significant developments relating to our industry and our relations with the society in which we live have taken place. Some of these developments have been favorable to the investor-owned utilities; others have constituted serious setbacks in our battle for the preservation of free enterprise in the electric business.

As the subject of this paper, I have chosen the title "Let's Face It." I hope this suggests to you, as it does to me, our need to view objectively the events which affect our industry, neither regarding them through the rose-colored glasses of wishful thinking, nor through a gray fog of undue pessimism. I want to talk with you particularly today regarding taxes, territory and tyranny—for I feel that these are three T's that spell real danger for our industry in the months and years ahead.

*An Address by Mr. Branch before the Twenty-Fifth Annual Convention of the Edison Electric Institute, Chicago, Ill., June 5, 1957.

Paralyzing Taxes

First, a word about taxes. In a previous address, you heard the startling assertion that the American citizen has already lost one-third of his freedom of choice in the spending of his income dollar because today's tax take is one-third of all earned income. We have given to "big government" one-third of our pay before we buy so much as a loaf of bread. Not too long ago the freedom of choice was 95 to 98% for the average citizen with taxes taking less than 5%.

It has taken a long time for Americans to become sensitive to the size of the tax bite and its paralyzing effect and mischievous potentialities. But they are finally awake and the rumblings of their discontent are being heard throughout the land and from all segments of our citizenry — from laborers, farmers, business and professional men alike.

They are beginning to ask questions, searching and persistent questions, regarding the theory that government should spend money for whatever purposes and in whatever amounts the people desire, for they know in their hearts that there is no limit to what some people will desire of government.

After many years of knuckling under to pressure groups, the people, and at least some of their political leaders, are wondering if Grover Cleveland was not right in declaring that: "When more of the people's sustenance is exacted through the form of taxation than is necessary to meet the *just* obligations of government and the expenses of its *economical* administration, such exaction becomes ruthless extortion and a violation of the fundamental principles of a free government."

We must face the fact, however, that our people are still largely uninformed and hence generally apathetic about another aspect of American taxation, much more serious in its implications than the mere size of today's tax levies. I refer to the way in which tax discriminations and tax inequalities have made our revenue laws a device for socializing the economy.

For many years, you and I in the electric industry have been painfully aware of this disturbing feature of present-day taxation—but as a group we have done an inadequate job of alerting the public to it.

Calvin Coolidge, sensing the drift toward Socialism in America, warned us years ago that taxes, and particularly tax discriminations, can become a potent weapon for the destruction of our free-enterprise system. He said: "I do not believe that the government should ask social legislation in the guise of taxation. If we are to adopt Socialism, it should be presented to the people of this country as Socialism and not under the guise of a law to collect revenue."

In 1955—the last year for which complete governmental statistics are available—the investor-owned electric companies paid nearly $1¾ billion in Federal, state and local taxes. These tax payments amounted to 23.7% of their total electric operating revenues. Generally speaking, taxes constituted —as they have for a number of years—the largest single item of operating expense of the investor-owned utilities. In the case of my own company, for example, tax payments represented $2.54 per share of common stock, whereas net earnings amounted to only $1.53 per share.

Subsidized Power

By contrast, the governmentally-owned and governmentally-subsidized power organizations paid no Federal income taxes at all, and their total taxes—including what some of them conveniently term "payments in lieu of taxes"— amounted to only 1.9% of electric revenues in the case of TVA; and to only 2.82% and 2.89%, respectively, for the rural electric cooperatives and the so-called class A and B publicly-owned utilities, representing 70% of all non-Federal systems, including municipals.

This is the rankest sort of tax favoritism, and I doubt whether the rank and file of its beneficiaries are fully aware of it. The point generally glossed over by advocates of government power expansion and generally overlooked by the public, is that this discrimination operates not alone against the electric companies and their investors but directly against the 80% of American power consumers who pay the discriminatory taxes as a part of their electric bills—only to have their tax payments, in part, used to supply so-called "cheap government power" to a minority of 20% of the people through subsidized power organizations.

The truth of the matter is that except for their tax advantage and other governmental subsidies, none of these organizations are able to generate or supply electric power any cheaper or any more efficiently than the investor-owned companies; and the claim that their rates constitute a true measure or "yardstick" of power costs is absurd, as General Vogel, of TVA, has candidly conceded.

Within the past few months, the Public Service Commission of Indiana has uncovered a special financial gimmick by which some governmentally-subsidized power groups maintain their pretense of "cheap public power" and enrich their members at the taxpayers' expense. Reviewing the annual reports filed with it by the rural electric cooperatives of that State, the Indiana Commission discovered that through tax exemptions and by borrowing from the Federal Government at an artificially low interest rate of 2%, some of these organizations have accumulated large surpluses which they are using, not to pay off their government loans, but to purchase government bonds at interest rates considerably higher than the same cooperatives pay to the Federal Government as borrowers. And the profit, thus realized is completely free from Federal income taxation! This is certainly one of the most ingenious financial operations of our time, but one that the American taxpayers will hardly condone. Is it any wonder that the subsidized power groups and their champions scream to high heaven whenever the suggestion is made—as it has been made by President Eisenhower and some Congressional leaders— that the Federal Government cease lending money to these organizations at less than the government's own cost of money; or is it difficult to understand why these same groups—enjoying a complete freedom from Federal income taxes— should seek to divert attention from their own favored status by attacking investor-owned utilities which were granted a mere postponement of income taxes on a relatively small portion of their facilities constructed pursuant to an openly-debated and nonpartisan supported Congressional program of accelerated amortization applicable to all American industry.

My primary purpose in mentioning these tax discriminations and governmental subsidies to this audience, which has long been aware of them, is not merely to point out their magnitude or their inequity but to underscore a further fact which I am afraid has sometimes been overlooked even by members of our own industry— namely, that these tax discriminations and the other forms of governmental favoritism cannot, *and will not*, be limited either in geography or in number of beneficiaries. Like a cancer, they will grow and grow until the whole tissue of our American economy is infected unless a presently-apathetic citizenry can be made to see that they contravene the basic concepts upon which our nation and our free-enterprise economy are grounded.

Case Histories

Two recent events will serve to illustrate what I mean:

Early in May, a leading American metals manufacturer, now operating a major plant in the Muscle Shoals-TVA area, played host to an impressive group of industrialists from upper New York State who had been invited, according to the New York "Times," to see "the pot of gold at the end of the rainbow," which could be achieved by North Country industrialists willing to "pull together" with public power. "The visitors learned," according to the newspaper, "how . . . profits have soared since the advent of public power. Apparently no one bothered to point out to these visitors to TVA-land that the "profits" made by industrialists through the use of public power are the result of tax discriminations and government subsidies at the expense of the taxpayers of America generally; and that if governmental operation of electric facilities through these devices may be said to produce cheap electricity, the same argument can be made—and in due coarse will be made in America as it has already been made in other countries—for the governmental operation of metal plants and other manufacturies as well. This tour, so far as I know, marks the first time a leading industrialist has openly assumed the role of a public power propagandist: and the fact that the industrialist in question is one of my long-time and most respected friends, and one whom I know to be a devoted and patriotic free-enterpriser, convinces me that the illusory "profit" implicit in public power subsidies is so potent and insidious a lure that unless it is quickly and effectively stripped of its mask, more and more businessmen, struggling with today's rising costs and narrowing profit margins, will find themselves taken in by it.

But the illusion of "profit" is only one of the elements on which subsidized power feeds and grows. Another is competition. When one manufacturer is able to reduce the price of his product because he purchases power from a tax-exempt and politically-favored utility at an artificially-computed cost, we cannot be greatly surprised if his competitors seek to do likewise. A few weeks ago, a manufacturer in my

own state was reported to be negotiating with an electric cooperative in Indiana for the construction in that state of a large metals plant and the joint financing of a huge electrical generating station to supply its power requirements as well as those of the Co-op's members at rates which no tax-paying utility could afford to match, assuming the Co-op obtains its funds from the government at a 2% interest rate. The manufacturer in question is one of my State's most successful younger industrialists. He is a large and respected customer of one of our companies. He tells us that while the deal has not been consummated, he virtually had no choice but to seek some such arrangement inasmuch as a number of his principal competitors are already receiving power from tax-exempt and governmentally-financed power suppliers and that, because of these subsidies, they are underbidding him — even in sales to investor-owned utilities!

Must Alert the People

Let's face it. Unless we are able through courage and cohesion to alert America to what is happening to its economy, the geratest pressure for socialized power in America in the years ahead will come not from starry-eyed Socialists and parlor-pinks but from hard-headed and practical businessmen who find it desirable to join the procession for the sake of "profits" and competitive position, notwithstanding their reluctance to accept subsidies and their knowledge that government ownership of power facilities poses a dangerous threat to all free enterprise. And pressure will come also from state governments which see their territories being raided and disadvantaged through the "cheap power" lure of states which have traded political and economic independence for Federal hand-outs and tax exemptions.

Let us move now from taxes to the matter of territory. Over the years, the electric companies of America have spent billions of dollars on plants and facilities to serve the areas in which they have assumed utility responsibility. These billions of dollars have been obtained from the American public through the sale of stocks and bonds. Today nearly four million Americans are direct owners of these securities and three out of every five Americans are indirect owners through their insurance investments, making the electric industry the most publicly-owned enterprise in America.

Underlying these investments was the assurance that in America, at least, the markets of the electric companies would not be arbitrarily preempted or destroyed either by government itself or by agencies financed or subsidized by government. This assurance was repeatedly given in the debates over REA legislation during the mid-30's. At that time, for example, Congressman Rayburn declared: "We are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people who do not now have it. This bill was not written on the theory that we are going to punish somebody or parallel their lines or enter into competition with them." And Senator Norris said: "There will not be set up an organization, and money loaned to it, for the purpose of electrifying a rural area which is now supplied."

Spreading Public Power

Tax exemptions and government subsidies were justified, as they could only be justified, on the basis that these organizations were not utilities, in the ordinary sense, seeking to compete for markets and territories but only to serve their own members on the farm and in rural areas where electric service was not otherwise available. Most investor-owned utilities—including the companies I am associated with—sought to assist these organizations in the achievement of their stated purpose frequently at considerable expense to themselves.

Today, however, with 95% of the farms of the nation electrified and their originally-avowed purpose thus largely achieved, we find many of these organizations demanding extensive allocations of territory and the right to serve even urban and industrial power customers to the exclusion of the investor-owned companies. Some state legislatures have already acceded to their demands for territorial allocations and others are being persistently pressed to do so. Regulatory commissions are continuously being urged to declare these groups full-fledged utilities — but, of course, not to disturb their tax-exempt and subsidized status or their relative freedom from rate and service regulation. Within the past two weeks a co-op has been held by a state commission to be entitled to serve an industrial customer over the protest of the investor-owned utility responsible for bringing the industry into the state, and also over the protest of municipal and other local officials and even of the industry itself! In that same state, a proceeding has been started looking toward a general division of territory between cooperatives and utility companies, with the cooperatives insisting that extensive areas of the state be assigned to them without regard to whether such areas are rural or urban and irrespective of the ability, willingness and desire of investor-owned and taxpaying utilities to provide any and all electric service which may be required. Many of you will recognize in this a pattern familiar to your own states. The question is whether it is a pattern the implications of which are fully understood by the American taxpayers who have borne and continue to bear the burden of subsidizing these organizations—including millions of American citizens whose savings are directly threatened by this type of encroachment. You and I have a responsibility to see that the pattern is understood.

If we are to fulfill that responsibility, we must not only have the will to inform our employees, our customers, our investors and the public generally of the issues which are at stake—but we must have the freedom to fully and effectively state our position and all the facts which bear upon it. Anything that prevents us from stating our side of the case, while the opposition is uninhibited and unrestricted, and some of its propaganda even publicly financed, is a denial not only of our own freedom of speech but a denial also of the public's right to have any proposition, needing its support, fully aired. Surely this is a principle so basic to our American concepts of liberty and democracy as to require no elaborate exposition or defense. Yet there are those who would like to see us completely "gagged" and silenced in order that their efforts to governmentalize the electric industry will no longer be challenged.

That brings me to the subject of tyranny—for any such effort is tyranny regardless of where it occurs or how it is sought to be justified.

Informing the Public

As Dr. Claude Robinson has pointed out, the American public is still not well informed of the activities of our companies. The citizens of our country know little of what we are doing in the field of atomic energy. They are almost entirely unaware of the inequality of the preference provisions and tax discriminations which favor a minority of our citizens, including some of our wealthiest corporations. Now it is proposed to silence what small voice we have.

You are familar with the efforts of Senator Kefauver and Congressman Chudoff and a few other government power proponents to have certain advertising expenses of our industry relating to the public and private power issue disallowed as a cost of doing business, not only for rate purposes but for tax determinations as well. Senator Kefauver said in the Senate on April 11: "There is little doubt in my mind that these companies have been charging the public, through income tax deductions, for their own brainwashing. For the Treasury now to retrieve this money would not only be just and fair but a great help to the small taxpayers who have been bearing the burden of the cost of government."

Senator Kefauver loftily ignores the fact that the small taxpayers for whom he feels such concern have been bearing the cost of tax-subsidized power in his home state of Tennessee for nearly a quarter of a century. He ignores the fact that the payrolls of government agencies are loaded with advocates of government power development, all too willing and able to lend a hand with the propaganda distributed through government frank at public expense.

An example of tax-financed propaganda in favor of government power expansion is the elaborately printed address of the Rural Electrification Administrator, delivered at the NRECA Convention in Chicago a few months ago, and which has just been widely distributed throughout the country under government frank. I am sure that many of you and your employees and customers have seen this address, in which the Administrator undertakes to assert and argue the right of the rural cooperatives to serve industrial customers and to assume territorial utility responsibilities.

Senator Kefauver also overlooks that there are numerous other propaganda agencies for government power, such as the Citizens for TVA and the Tennessee Valley Public Power Association, which can pay for their extensive activities through the savings on their subsidized electric bills and still come out substantially ahead.

Last week, Congressman Chudoff joined in the attack, bolstered by an ex parte ruling of the Federal Power Commission which was based solely on a mail inquiry and without any pretense whatever of a public hearing. Congressman Chudoff's blast came as no surprise, of course, for he was the chairman of the subcommittee which last summer toured the country furnishing a public forum for government power zealots to air their political and economic views and their anti-utility bias—all at the taxpayer's expense — and who refused to permit me and others of this industry to testify

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Redressing State Regulation and Preserving Private Enterprise

By HONORABLE H. LESTER HOOKER*
Commissioner, Virginia State Corporation Commission

Thirty years of experience provides Virginia Utility Commissioner with these observations: (1) need for balanced view toward utility expansion rather than only the cost of service to the public; (2) consumer's interest is linked to utility's financial soundness; (3) exercise of regulatory power requires due regard for reasonable and fair return to avoid taking private property without just compensation; and (4) States' rights and freedom of private enterprise are inescapably interwoven. In developing the latter observation, Mr. Hooker deplores "the encroachment of the Federal Government upon the reserved police power of the States . . . [which] began many years ago"; and seeks redress of balance between the several States and the Federal Government.

It appears to me that it would be well for me to discuss briefly something of the setup and duties of the Virginia Commission. The State Corporation Commission of Virginia is a constitutional agency, having been created by the 1901-02 Constitution. The authority for its creation and its duties and powers are set forth in the Constitution of Virginia, and in many statutory provisions. The General Assemby of Virginia at almost each session adds some additional duties. The more important matters coming under our control and supervision are: all transportation companies, railroad, motor vehicle, aviation, all telephone and telegraph companies, the issuance of securities of public utilities, transactions of affiliated interests, licenses of hydroelectric power developments, acquisition or disposition of utility properties or assets, granting of certificates of public convenience and necessity, jurisdiction over REA cooperatives in the same manner and to the same extent as other utilities in Virginia, rationing of utility services in cases of emergency (such as strikes, accidents, want of coal, etc), and acting as agent for the Governor in taking over and operating utilities as a result of labor disputes.

Our jurisdiction also includes banks, building and loan associations, small loan companies, insurance companies, issuance of securities under the "Blue Sky" law, issuance of charters of incorporation to all corporations doing business in Virginia, all taxation of public service corporations, and other less important matters.

In connection with the Virginia Commission being the constitutional authority through which the State exercises its governmental powers for the regulation and control of public service corporations, it might be well to point out that the Commission has been clothed with Legislative, Judicial and Executive powers, and has the power of a court of record of matters under its jurisdiction.

Looking back over my experience of more than 30 years in the field of regulation, especially as to public utilities, I am convinced that it is very important to keep one central theme in mind. That theme is simply this: It is necessary to regulatory commissions to take a balanced view looking toward stimulation of utility expansion rather than only the cost of service to the public.

Healthy Utility

Moreover, and here is the point where regulation can easily go astray, we must not lose sight of the fact that the fulfillment of our obligation to the public can be achieved only when the utility is in a consistently sound financial position. The interest of the consumer is inescapably linked to the condition of the utility.

Under State regulation, private industry has had a major part in the amazing expansion of utilities since the end of World War II, and some parts of it have grown much faster than the average; for example, 145% growth in the electric industry's KWH compared with 85% growth in gross national product. In the telephone industry, 3,400,000 telephones were added during 1955 (nearly half again as many as in 1954) so that at the beginning of 1956, over 56,000,000 telephones were in service.

The Utility industry has raised about $25 billion of new capital, nearly one-half of the capital raised publicly by corporations of the United States in this period. This has been an outstanding job, yet the almost overpowering demands of the American economy for utility service continues. However, only the financially strong company can secure the money to adequately meet these heavy and exacting public demands. One of the important responsibilities of a regulatory Commission, it seems to me, is to realize that regulatory Commissions, as well as utilities, must have a long-range plan. We are woefully mistaken if we get the idea that regulation begins and ends by whitling down the rates which a utility should be permitted to charge. Only a healthy utility can develop new service, expand its business, and get the capital to properly extend the service that is required to adequately meet the reasonable needs of the public.

The Commission that fails to permit a utility to continuously earn a reasonable and fair return is not, in my opinion, properly protecting those who use and depend on regulation to see that they receive efficient and dependable service.

Utilities cannot be required to serve the public without just and reasonable compensation. To do so amounts to the taking of private property for public use without just compensation or without due process of law. This is the legal safeguard for the protection of utilities which might, if not so protected, fall prey to some who for personal or political gain might disregard the utility's investment.

It is seen that the right of the State to regulate public utilities or public service corporations whose business is monopolistic, affected with a public interest, is based on the general police power of the State, but the exercise of such power must be reasonable and avoid a taking of private property for public use without just compensation. These fundamental principles are necessary essentials in the plan of utility regulation.

The impartial student of regulation is struck by the fact that only in the United States are the public utilities so much under the control and operation of private ownership, which is a strong indication that State regulation of privately owned and operated public utilities has succeeded so satisfactorily in the public's mind that the continuation of the privately owned and operated utility under State regulation is in the best interest of the public.

Judged by actual performance, it must be admitted that the over-all results of our system have served the public remarkably well. This excellent record has not been due entirely to regulation. It is the manifestation of the success of the free enterprise system.

Links State Rights to Freedom Of Enterprise

There is no more important governmental and economic problem confronting the American people than the preservation of the rights of the states to regulate and control their own internal affairs. The American people must assume a renewed and energetic role in the affairs of government if these rights, so important to the American way of life, are to be preserved. The rights of the states and the freedom of private enterprise are inescapably interwoven. The infringement of Federal power over state authority inevitably weakens States rights, adversely affecting private enterprise, the very industry upon which this country has grown great. Private enterprise under State regulation has been so successful that this country has become the industrial envy of the world. Private enterprise, saddled with Federal burdens of red tape and restrictions, is greatly handicapped in the achievement of its affairs. You who may have been so unfortunate as to have had to deal with this red tape know what a headache it is. A headache that neither aspirin nor "Bufferin" will relieve.

It behooves every citizen to take an intelligent look at what is going on and what appears to be contemplated in national affairs. We know it has been called New Deal, Fair Deal, and now Modernization, a so-called middle-of-the-road position for the administration of our rights and liberties. These attractive names do not change the facts. The facts are that the present trend is no different from what the trend has been for the past 20 years and more. It has not been changed under the present Administration. Budgets get bigger and bigger and our obligations become more alarming all the time— looking for new places to spend the taxpayers' money.

This trend will not stop until the full rights of the States have been restored and private enterprise given its full freedom and rightful place in the economic life of our country, unshackled by Federal interference.

I am a firm believer in complete regulation of the electric light and power industry, and I am just as strongly opposed to government ownership or operation, whether State or Federal. Under the present system of regulation the public is fully protected as to the rates which these companies are charging, and the history of the industry is the best evidence of the efficiency of service under private management, publicly regulated. This is quite different from government ownership which is not regulated by any impartial agency.

Those who claim that the comparison of such operations is a fair and reasonable yardstick, in my opinion, have a strange and peculiar quirk of fairness. Such opinions give me a depreciated value of their views, and might well lead to a devaluation of their sincerity.

Let's take a brief look at the progress of private enterprise under State regulation. As we look over the past we can truly say that the age in which we live represents the most marvelous period of progress and development of the human race. It is difficult for men still living to recognize the world as the same place in which they spent their early manhood when the telephone, radio, telegraph, television, electricity, motor vehicle and airborne transportation were unknown.

The development of public utilities such as those of transportation, light and power, communications by telephone and telegraph, radio and television has not only been most significant, but it has been a most important factor in the growth and material progress of this Nation.

Deplore Federal Encroachment

No industry has contributed more to the alleviation of toil, to the increase of commercial activity and productiveness, and improved the standard of living, than has electricity. One of the greatest factors in the rapid changes which have taken place within the recent past is attributable to the electric light and power business.

I am satisfied that private ownership and operation under proper public regulation is the best system for conducting the business of public utilities, in order that the public may receive the best overall benefit. This method encourages to the fullest extent business-like operation of utilities. Private ownership and operation conducted under reasonable regulation having due regard of the fact that the industry is of a dual nature — private, so far as the stockholders are concerned, and public, so far as the public is concerned nave made America preeminent in the field of public utility service. A learned jurist has said that, "It has been found better to let the natural laws of economy and society prevail and to leave ownership and operation of public utilities under proper regulation, in the hands of men whose lives have been spent in the operation of these utilities, and whose education and long practice have made them expert in this highly specialized business."

The encroachment of the Federal Government upon the reserved police power of the States has not just begun. It began many years ago. Former President Coolidge, in a speech during his administration delivered at William and Mary College, cautioned the country against the perilous enlargement of Federal activity in state affairs, the trend toward centralization of power at the national capital, and made an appeal to the conscience and judgment of the country for a more jealous regard for the fast fading doctrine of States Rights. It is seen that former President Coolidge so aptly sensed the situation that was at that time beginning to creep into our American way of life. Unfortunately, at that time, there was an attitude of indifference on the part of people toward the invasion of the rights of the States.

I think it can be said, without being successfully attacked, that no surrender of the police power or reserved rights of the States has worked beneficially to our system of private enterprise. I have at all times stood steadfastly

*An address by Mr. Hooker before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 4, 1957.

opposed to any overlapping of Federal jurisdiction over any right of the states' authority. It has been my consistent view that Federal jurisdiction should begin where state jurisdiction ends. For more than 20 years I have appeared before some Congressional committee in opposition to any proposed legislation that would duplicate or encroach upon state jurisdiction. The so-called Holding Company Act of 1935, in my opinion, was originally proposed with the intention to leave to the states a mere skeleton of authority over electric utilities. If it had not been for amendments that were adopted, State control of electric utilities would have been emasculated, and the electric power industry would now be predominantly under Federal control, and the private electric industry would have been greatly handicapped in any plan it might have had for substantial development of its business, and public power would have been in a most favorable position to spread its wings over our national economy in all of its imaginary public beneficence.

Fifty Year Limitation Held Unfair

Section 6 of the Federal Power Act contains the limitation that licenses "shall be issued for a period not exceeding 50 years. Each such license shall be conditioned upon an acceptance by the licensee of all the terms and conditions of this Act and such further conditions as the Commission shall prescribe in conformity with this Act, which said terms and conditions and the acceptance thereof shall be expressed in said license."

It has never appeared logical or sensible to me that private capital investing money to develop and sell hydroelectric power should be limited to 50 years, but that any limitations imposed should be by reasonable and proper regulation to see that its business is not conducted in a manner that would be detrimental to the best interest of the public. The constant fear that at the expiration of 50 years, the license might not be renewed or extended certainly adds to the financial hazards making the securing of capital for such project, and any expansion that might be required, more difficult. There does not seem to be any good reason for such a limitation. The thought behind it must have been, at the time of its enactment, that possibly there might be a future demand for government ownership and operation and therefore the door was left open so that if it appeared at the expiration of any such license that it was opportune for the government to step in and take over such operation, it would not be necessary to go back to Congress to secure such authority.

Economic Discrimination

We are hearing much these days about discrimination because of race or color by the Federal Government, yet there is nothing being said about economic discrimination among its citizens and localities. TVA furnishes cheap power to its customers. This development by public funds has meant much to that section of Tennessee served by it. It has been the reason, it is claimed, for substantial industrial development in that area, and for industry located in other sections of the country, which are contemplating locating elsewhere, deciding on this section because of this economic advantage.

Large sums of Federal funds are appropriated by Congress almost annually for maintenance and operational needs for the development and expansion of TVA. Taxpayers' money — the business of private utilities is taxed along with the general public to support it. Why shouldn't it stand on its own bottom just like private enterprise has to do? If such development is to be used as a yardstick against privately owned and operated utilities, in the name of all that is fair, just and honest, such a development and operation should be placed on an equal and identical basis in every respect. The Government should never create or assist in promoting any preference in favor of any business, nor favor one section of our country over the other.

It is the obligation of private industry by its initiative, ingenuity and business acumen to serve its customers as economically as possible, and the Federal Government should not be a party to any plan that would prejudice the public against private industry, in its sincere endeavor to serve the public needs adequately and at reasonable cost.

Former President Hoover referring to electric power as being essentially a local problem and ought to be exclusively under local control said: "There are the most weighty reasons against Federal regulation. Power is, by necessity, bound to be local in its districts as to its service, its generation and distribution. Local acquaintance, local valuation and public opinion can operate upon power to their fullest extent. Nothing will produce worse service than to attempt to transfer local problems to absentee solution at Washington. If our democracy will stand at all, it must stand upon the local responsibility. Nothing could be a more hideous extension of centralization in the Federal Government than to thus undermine the State Utility Commissions and State responsibilities."

More recently a distinguished and well-known public official, Senator William H. Knowland, speaking to the Junior Chamber of Commerce in Richmond, Va., March 23, said that in each of his 12 years in the Senate, "I have become a stronger advocate of the rights of the States. It is my strong belief that this nation of ours is too large geographically and too complex economically to be either effectively or efficiently run by any group in Washington. If we ever let our economy slip under such controls in peacetime, we may not get out from under them again in our lifetime."

Redressing the Balance

So let us hope that a sentiment is now beginning to crystallize in a more determined and serious understanding of the accumulated consequences of the Federal Government's continual expansion of statutory and administrative agencies and activities which are gradually eating into our Statehood, thereby destroying that balance between the several States and the Federal Government, which the Constitution so painstakingly tried to create in order to give stability and permanency to the nation. The continual overlapping of the jurisdiction of the Federal Government over that of the several states has grown to an alarming extent, and in my opinion a national awakening is needed to restore the proper functions of the Federal and State government to their rightful equilibrium and sphere.

This is not going to be an easy task. This new concept of government had grown alarmingly in strength, in power and in adherents. The adherents of this new concept of government are not confined to any single group or class of people. They come from all walks of life. In many instances the adherents of this philosophy vigorously condemn it while supporting it by their deeds.

In conclusion I wish to emphasize that the idea has taken root in the minds of many people that you can get something for nothing so long as you get it from the government. This idea of government has caused many people to abandon such fundamental qualities of character as self-reliance, resourcefulness, ingenuity and the will to succeed. Incentive and the right to enjoy the fruits of one's labor have been steadily restricted by regulation, and circumvented by excessive taxation. It is time, therefore, for all of us individually and collectively, to take stock of our national government as it functions today. So-called Good Samaritans are steadily moving in on our personal liberty and freedom. If that freedom and initiative are destroyed, our nation will most likely fall into decay and disintegration.

It behooves everyone who believes in States rights and private enterprise to be at all times eternally vigilant to protect and defend their preservation.

Elected to Board Of J. P. Morgan Co.

Three senior Vice-Presidents of J. P. Morgan & Co. Incorporated have been elected to that bank's board of directors, it was announced by Henry C. Alexander, Chairman. They are Stuart W. Cragin, Longstreet Hinton, and John M. Meyer, Jr.

Mr. Cragin's and Mrs. Meyer's executive responsibilities are primarily in the general banking field. Mr. Cragin has been with the Morgan bank since his graduation from Yale in 1928 and was elected a Vice-President in 1940 and a senior Vice-President in 1955.

Mr. Meyer was graduated from the University of Chicago in 1927. He was first employed by J. P. Morgan & Co. in 1933, becoming a Vice-President in 1940 and a senior Vice-President in 1955.

Mr. Hinton heads the bank's trusts and investments department. He has been with Morgan's since 1923, the year he was graduated from Williams College. He was elected Vice-President and Trust Officer in 1940 and a senior Vice-President in 1955.

Also announced were the resignations as directors of Gustav Metzman and John S. Zinsser, who had served on the Morgan board since 1945 and 1942, respectively. Mr. Metzman is the retired chairman of the New York Central Railroad Co., and Mr. Zinsser is vice-chairman of Merck & Co., Inc.

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Uninformed Public Best Asset Of Government Power Zealots

ment is in the power business in a big way, operating on subsidies provided with the taxpayers' money. To get an idea of the extent to which TVA is subsidized, let us see the effect of removal of two of the subsidies, namely, cost of money and taxes. Considering no other subsidies, let us apply to the power operations of TVA exactly the same rules that are applied to America's power companies.

To finance the building of power facilities to serve their customers, electric utility companies borrow money on the free market. Let us assume that TVA raises its funds in the same way, in the traditional free enterprise fashion.

Let us assume also that TVA pays taxes just as the power companies do, instead of enjoying an exemption from Federal taxes. These taxes, like all other costs of doing business, are ultimately paid by the consumer. Let us make a theoretical adjustment that would enable the people of the Tennessee Valley area to pay their full share of these taxes just as customers of the power companies do.

Less Than True Cost

We find that if we make these adjustments, TVA's rates would have to be nearly doubled in order for it to break even—except the rate charged to the AEC. (This rate is already about the same level as the rates that power companies charge the AEC. Thus the taxpayers, who own AEC, subsidize TVA but get none of the subsidy back in the electricity they buy from TVA. All the other users of TVA power are getting it at about half-price—at the expense of the nation's taxpayers.) The government has found no new way to make electricity. It is simply that the government sells its electric power at less than true cost.

Our experience indicates that only a few people know that the TVA has never been declared Constitutional. Only two cases regarding the TVA have been decided by the U. S. Supreme Court. In the Ashwander case, decided in 1936, this court upheld the right of TVA to purchase transmission lines from a power company in order to transmit power from the Wilson Dam which had been constructed during World War I as a national defense measure.[1] In 1938 in the "19 Companies" case, the Supreme Court dismissed the case with the statement that the companies had no standing to maintain the suit.

A very small number of people realize that the Federal Government is lending money to other power projects at an interest rate below the market price.

In a survey made this year by Opinion Research Corporation, this question was asked: "Does TVA pay taxes the same as private companies do?" Only 36% of the people know that TVA does not pay taxes the same as the power companies. Sixty-four percent do not know this fact. Then this question was asked: "Do you think TVA should or should not pay taxes the same as the power companies do?" Of those asked, 54% say it should. Twenty percent have no opinion. What would their opinion be if they knew they were being taxed more than otherwise because TVA is not taxed?

Then this question was asked: "Do city-owned plants pay Federal taxes the same as private companies do?" Only 17% of the people asked knew the right answer to this one. Over four-fifths of them were uninformed or misinformed.

Can there be any stronger evidence of the relationship between knowledge of facts and opinions? We have those facts. Are not the people we serve entitled to them?

Here again we observe a strong correlation. There is a lack of knowledge of fact on the tax question; there is also evidence to indicate that the American people are opposed to this tax discrimination when they are informed as to the facts. The key to the solution of our problem is telling the facts to the people. This discrimination will stop when American people want to stop it. They will want to stop it when they are informed. They will be informed when we resolve to tell them.

Washington Water Power Election

The Washington Water Power Company went through an important election in Stevens County a year or so ago. The issues there were clearly presented on both sides. The company had some surveys made to see how it stood, and found that throughout the whole company, only 23% of its customers knew the facts about this tax issue. But the people of Stevens County were better informed as a result of the election campaign. About 43% of the customers in Stevens County were correctly informed about taxes. Why do we have to wait to have a Stevens County election to inform people on this important question?

People are also uninformed on the question of preference. In this year's survey, this question was asked: "Do all groups have an equal chance to buy electricity from a Federal project?" Only 18% of the people questioned knew the facts. Again, over four-fifths of our people are uninformed or misinformed on this question. Furthermore, the survey shows that when people are informed, 69% are opposed to the preference idea. The reason we still have preference is that we haven't informed people. The fault is not theirs—it is ours.

These studies and surveys enable us to trace the reasons for continued government encroachment to a lack of knowledge of facts on the part of a substantial majority of the American people. Our duty seems clear. It is to tell people the facts.

Each of us here must decide for himself what he will do on these important matters. We have within our hands valuable tools with which we can cope with government encroachment into the power business. What is more important, these same tools can help in dealing with the bigger problem involved in the trend toward a system where people depend upon government and not themselves for their personal well-being and security. Knowing this, our task seems clear.

Employee-Information Program

First we have an obligation to our employees. We should measure the extent of their knowledge and information on the American economic system and on the power business. This will be the bench mark which we lay down so that progress can be measured in the future. We should then set up a series of information courses to be given to our employees which will cover the following subjects:

(1) The American Economic System

(2) The History of American Freedom

(3) The Power Business

When we come to the power business, we should give our employees information on both the economics of the power business and the issue of business-managed vs politically-managed power. Both are essential to a good basic undertanding of the problem.

At periodic intervals we should remeasure the knowledge of our employees on the basic facts about our system and about the power issue. We should strive to reach a goal of 80% in realization of the facts. If our employees have the facts about these issues and about our economy and about American freedom, we have reason to believe that they will want to keep that system and that they will want to do the things necessary to keep it.

We should also measure the knowledge of three other groups—stockholders, opinion leaders and the general public. We should make every effort to bring their understanding up to a satisfactory level.

We as leaders in the power business have a responsibility to the society in which we live—a responsibility greater than that of other businessmen because we know more about the problem. We have faced it; we have developed the means to cope with it. We have evidence to indicate that the solution is in our hands.

Duty Rests on a Few

We have discovered that there are relatively few people in this country who are aware of the significance of trends toward government in business, as exemplified by the situation we find in our industry. It seems that most of the leaders of thought and action have not yet realized where this course will lead. The duty resting upon the few who do know therefore becomes greater. We who are aware of what is happening must always do more than our share. If we fail, if as a nation we drift into patterns which spell the end of our freedom and achievement, the blame will not fall on those who did not know it was coming. Rather, those of us who had the power to give the alarm but who failed to do so will be the ones responsible.

Having realized our responsibility it becomes our first duty to inform our own employees as to the facts on these issues. They will become better Americans because of it.

But there are other groups which we can also reach. We have our friends among the community leaders who might like to know about the experience that our industry has had in informing people about the benefits of our American free enterprise system. They too might want to inform their employees in the same way.

Also, there are the stockholders; they as the owners of our business are entitled to know the facts that we are discussing here. The opinion leaders in the community want to know about our business and about these issues. Also, our customers are interested in these facts, since they depend on us for their service. We should find out whether for example only 25% of these people know the facts and 75% are uninformed.

If an operating company experienced 75% losses, the President would undoubtedly call the Chief Engineer and say "Bring me a plan to correct this," because 75% losses would present a dangerous situation. Here we have 75% of the people uninformed on the basic issues that could mean the loss of the company's whole property if allowed to continue. A lack of information on the part of many people on basic economic questions could lead to a loss of political and economic freedom; that in turn could mean the loss of religious freedom and disappearance of Christianity — even loss of the civilization that we have built here in America.

Let us remember also that ignorance is not eradicated by merely writing letters, mailing out booklets, or giving speeches. There is a purely mechanical process for doing this; but doing it means going through all the details of that process. We know a great deal about this. We know that the only way to find out if people think a certain way is to ask them. This means surveying and resurveying, to make sure that our effort is not wasted.

We are faced with a difficult task at best. We know what we must do; there seems to be no different or better way of dealing with our problem. Thus far, there is only this one solution available to us.

Each of us must ask himself what he will do about this problem. The composite answer will determine whether we as a nation go down into darkness as have all the uncounted millions who came before us, or whether we shall preserve for our posterity the great benefits of freedom that we have enjoyed. And therein lie the challenge facing us today. May God grant us the wisdom and the courage to meet it.

[1] The issue of generating power at steam plants was not presented to the Court for decision.

In the Ashwander Case, Justice Butler questioned TVA's lawyer, John L. O'Brian, as to the use of steam plants.

O'Brian said: ". . . That steam plant is not in this case . . . There is nothing in this record to show that the Authority ever intends to use it for the purpose of generating power for sale, and I disavow any such intention at this time."

Justice Butler commented, "I know, but you assert the power, do you not?"

O'Brian replied—"No; I do not."

Halsey, Stuart Group Sells Ga. Power Bonds

Halsey, Stuart & Co. Inc. on June 7 headed an underwriting syndicate which offered $15,500,000 of first mortgage bonds, 5¼% series due June 1, 1987 of Georgia Power Co. at 102.29% and accrued interest, to yield 5.10% to maturity. Award of the bonds was won by the underwriters at competitive sale June 6 on a bid of 101.48%.

The new bonds are to be redeemable at regular redemption prices ranging from 107.54% to par, and at special redemption prices receding from 102.29% to par, plus accrued interest in each case.

Net proceeds from the sale of the new bonds, together with proceeds already received and to be received in 1957 from the sale of additional common shares to its parent organization, The Southern Co., will be used by Georgia Power Co. for the construction of permanent improvements, extensions and additions to its utility plant, and for the purchase of shares of capital stock of Southern Electric Generating Co.

Georgia Power Co., an operating subsidiary of The Southern Co., is engaged in the generation, purchase and sale of electric energy within the State of Georgia, at retail in 631 communities, as well as in rural areas, and at wholesale to 50 municipalities and 39 rural cooperative associations; the production and sale of steam for heating purposes in the main business district of Atlanta, and, pending the required disposition, the transportation of passengers by buses in Rome. The company is participating with a group of other companies, including other companies in The Southern System and headed by The Detroit Edison Co., in the building of a "fast breeder" type nuclear power plant in Michigan.

For the year 1956, the company had total operating revenues of $111,413,000 and net income of $15,442,000.

Haight Hill Co. Research Firm

Formation of The Haight Hill Company, has been announced by Frederick Stein, associate editor of the "American Banker," New York. The firm, located at 32 Broadway, New York, will specialize in business research for organizations who do not have their own facilities, as well as provide counsel in shareholder and public relations. Mr. Stein will leave his editorial post May 31, but continue to serve in an advisory capacity.

The Haight Hill Co. will devote itself to research in areas served by banks and small business. It will offer informational services on area economy to supplement banks' business development programs as well as provide business and marketing information to business firms.

Mr. Stein, a veteran of World War II is a graduate of Fordham University and attended Seton Hall University and the New School of Social Research. He has worked on daily newspapers in Ohio, Virginia, his native New Jersey, and New York where he worked for the "Wall Street Journal" and the New York "World-Telegram." He joined the "American Banker" in 1949. He had also worked for the Lockwood Trade Journal Co. He is a member of the New York Financial Writers Association.

Form Harris Securities

BROOKLYN, N. Y. — Harris Securities Corporation has been formed with offices at 723 East 27th Street to engage in a securities business.

The Uneconomics of Public Power And Hoover Commission Views

By S. C. HOLLISTER*
Dean, College of Engineering, Cornell University

The paralleled views of President Eisenhower and those independently arrived at by the bi-partisan Hoover Commission on sound long-range Federal power policies are presented by Cornell Engineering Dean after decrying the uneconomic and inequitable extension of Federal public power programs. Dean Hollister depicts extent of subsidized public power costs and observes 80% of the people are paying a quarter to a third of the light bill for another 20%. Claims largest block of subsidized power goes to business and industry, not to home-owner, and, contrary to politicians' claim, shows kilowatthour residential price has declined from 5.6 cents in 1932 to 2.69 cents in 1954.

How would you like to receive your electric bill with a notation that 35% was being deducted because the utility furnishing your electricity could now do so without having to pay the usual taxes and the full cost of capital? This is what the biggest power producer in the business can do for its customers. Who is this producer? Your Federal Government. How does it do this? It taxes you to make up the deficit.


Dr. S. C. Hollister

How would you like to receive a note on your light bill saying that a sum has been added so that someone you never heard of [illegible] get his light bill reduced 35%? This is what is happening to most of us, but it isn't being so marked on the bill. About 80% of the people are paying a quarter to a third of the light bill for the other 20%.

In 1953 the Congress created the second Hoover Commission, a bi-partisan group of 12 men, headed by former President Herbert Hoover, to examine into the efficiency, policies and function of the Executive Branch of the Federal Government, and to report back to the Congress in the spring of 1955 with recommendations for (a) reducing costs, (b) increasing efficiency, (c) getting the Federal Government out of business enterprises. Half of the members were from government, and half from private life. The Commission has made and reported upon the most searching review ever made of the Executive Branch in the Nation's history. Of the 314 recommendations made to the Congress, none was determined by vote along party lines.

The Commission, with the aid of a Task Force on Water Resources and Power, made up of 26 distinguished citizens under the able chairmanship of Admiral Ben Moreell, made the most comprehensive fact-finding report ever made on the Federal Government's functions in this area. The Commission made a series of recommendations to the Congress which amount collectively to a statement of recommended policy. There was thus provided a non-partisan basis for judging the policies and functions of the Federal offices and agencies in this field.

In 1933 the Federal Government owned a generating capacity of 232,000 kilowatts. By 1953 it owned and had in operation nearly 50 times the capacity of 1933—10,500,000 kilowatts. In 1933 the Federal Government owned half of 1% of the total generating capacity of the country. By 1953 it owned over 10%. Adding what is authorized but not yet installed, there will be a total of nearly 35 million kilowatts capacity, bringing the Federally-owned and operated total capacity to nearly one-third of what the total installed capacity in the country is at present.

Traces Federal Power Development

How did this situation come about? Congressional action respecting waterpower, and the Federal Government's interest therein, began in 1879 when the Secretary of War was authorized to lease mechanical power developed at a navigation dam at Moline, Ill. In 1884 the Congress specifically authorized the construction of a private power development on the Mississippi River, at St. Cloud, Minn. In 1890 the Congress prohibited the building of dams in navigable waters without the permission of the Secretary of War. In 1906 the Congress established terms and conditions under which the Secretary of War might authorize non-Federal development of hydroelectric power in streams under Federal jurisdiction. In 1910 Congress fixed a limitation of 50 years on licenses granted by the Secretary of War for installation of dams and power facilities. All of these acts had to do with the licensing and control of power development by private interests on Federally-controlled streams. The great Keokuk Dam across the Mississippi, completed in 1913, was one of the power projects that were thus constructed by private enterprise under Federal license.

In 1906 Congress authorized production of electric power at dams constructed for irrigation water storage purposes, and the sale of surplus power from such dams for municipal purposes. Under the National Defense Act of 1916 the President directed construction of a nitrate plant, a steam-electric power plant, and the Wilson Dam at Muscle Shoals, Alabama., for the production of nitrates and other products needed for munitions of war and useful in the manufacture of fertilizer. This project was delayed by the First World War and was not completed until 1925. Subsequently it was absorbed into the Tennessee Valley Authority System.

The first great Federal Power Development was the building of Hoover Dam, authorized in 1928. This large multiple-purpose structure was to be built by the Secretary of the Interior for flood control, navigation, reclamation and other purposes, with the installation of power facilities as a means of making the project self-supporting and self-liquidating. At that time its cost was beyond the resources of private capital. The Federal Government, therefore, was to advance the money at 4% interest and the original cost returned out of earnings to the Federal Treasury. The act also provided that charges for electrical energy sold should be readjusted from time to time as justified by competitive conditions at distributing points. In 1940 the Congress abandoned competition as a basis for power rates and changed the 4% interest rate to 3% during a 50-year period. It also specified annual payments of $300,000 each to Arizona and Nevada and $500,000 to the Colorado River Development Fund. Power production at Hoover Dam began in 1937. Congressional action of 1940 has slowed down the originally intended rate of amortization of the Federal investment.

The real introduction of the Federal Government into active production of electric power on a large scale began with the establishment of the Tennessee Valley Authority in 1933. This Authority was authorized to construct projects in the Tennessee River Basin for flood control, navigation, power, and other purposes. The Authority has substantially completed construction of all feasible hydroelectric development on the Tennessee River. It has now embarked upon the construction of steam plants. When steam plants now being constructed and authorized are completed, the TVA will have a generating capacity in steam of **three times** that which it has for water development. Thus the TVA has shifted in purpose from developing hydroelectric power as a component of the river development, and has moved directly into the power business on a large scale, and without appropriate regulation.

In recent years, the Bureau of Reclamation and the U. S. Engineer Corps of the Army have engaged in large development of Federal power projects.

TVA Escapes Costs

Since its inception in 1933, to June 30, 1953, there has been invested in the TVA $1,263 million, of which $924 million is allocated to power installations. During that period TVA has returned to the Treasury only $81 million. Appropriations have been running about a quarter billion annually for the years 1951 to 1954. By 1956 the total investment in TVA was $2.1 billion, of which $1.6 billion was for power, about half of which was for steam plants. By 1962 the total will reach $3.4 billion, of which $3 billion will be for power.

Federal property is normally exempt from State and local taxes. In 1953 TVA was paying to local governments in lieu of such taxes 3.3% of its gross power revenues. It pays no Federal taxes. Investor-owned electric utilities pay about 23% of gross revenue in taxes (they paid $1.4 billion in taxes on $6 billion sales to customers in 1954, an amount greater than their payments for salaries and wages). In addition, their stockholders pay additional taxes on all dividends paid.

The Federal Government must currently pay 3% interest on its bonds for long-term financing. Money furnished the TVA or any other Federal project, therefore, costs the Treasury 3% interest, since if not so furnished, it could have been used to reduce the national debt and thus stop the payment of interest on an equivalent amount. In 1953 the annual interest on the TVA power investment would have been $27 million; in 1956, it would be $57 million; and in 1958, $90 million. In 20 years of existence TVA has returned only $81 million, equivalent to but three years' interest on the 1953 investment in power. Up to June 30, 1956, the total repaid was slightly over $179 million.

Since TVA pays in lieu of taxes an amount equal to only 3% of revenues, instead of 23% of revenues as paid by investor-owned utilities for taxes; and has not paid interest on its invested capital at 3%; the Hoover Commissions' Task Force showed that the TVA, during the fiscal year 1953, had a deficiency resulting from costs in excess of operating revenues, of 29% of revenue, when computed as for utilities. This of

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*An address by Dean Hollister before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 4, 1957.

Trend to Risk-Cushioning Joint Subsidiaries Not Accelerating Despite Potential Advantages

Diversification Institute finds only 242 such "semi-mergers" in industry; generally they are working out to shield parents' market vulnerability.

Jointly-owned subsidiaries have been set up by diversification-minded but otherwise independent and sometimes competing companies to spread costs and cushion risks in a wide range of industries, according to a survey by the Diversification Institute. The survey disclosed that 242 such incorporated joint ventures were operating in 1956.

Despite their potential advantages, however, they have not become appreciably more common in recent years. Approximately the same number were in operation in 1948, according to an earlier survey. Of those currently "working for their parents," 141 are owned by three or more parent companies, or in unequal proportion by two, and so are not "50-50" subsidiaries as is commonly supposed, the survey found.

The Diversification Institute, founded by the Wall Street management and economic consultant firm of Boni, Watkins, Jason & Co. to do research in the diversification field, made no effort to appraise the performance of these offspring of corporate marriages of convenience, but said that "in general they seem to have worked out to reduce the parent companies' vulnerability to shifts in demand."

"Companies go this semi-merger route to avoid direct merger, outright acquisition of smaller companies and the risks inherent in venturing along into new and uncharted fields," according to the Institute. As a means of growing and expanding, this technique dates back to the 19th century."

Petroleum, with 75, leads the list of the joint subsidiaries counted by the Diversification Institute, which sought to find out how often private businesses "voluntarily resort to this form of enterprise." Forty-six were found in steel, 35 in chemicals, 23 in insurance, and 12 in atomic energy.

Examples of recently organized joint subsidiaries are Dow-Corning Corp., Olin-Revere Metals Corp., Chemstrand Corp., Brunswick Pulp and Paper Co., Titanium Metals Corp., and Arabian-American Oil Co. "They have expanded markedly in certain fields, particularly technological research, but have declined in others, such as joint sales agencies," the Diversification Institute said. "In the field where joint subsidiaries are most common, namely raw materials procurement, there is no evidence of increasing resort to this device."

The Institute cited two factors as mainly responsible for renewed interest in joint subsidiaries: High cost and risk of technological research and of exploring for new sources of supply, and ever mounting pressure for diversification so that "not all a firm's eggs are in one basket."

The joint subsidiary method also "is likely to prove less vulnerable to anti-trust attack" than direct merger and acquisition, the Institute said, and it facilitates market penetration by using the combined prestige of both parents. Also, in research it promises more rapid progress on the theory that "two heads are better than one."

There are, however, dangers of "divided counsels" and certain tax disadvantages, the Institute added. For example, if organized on a 50-50 basis, the domestic subsidiary that distributes all its earnings will find the government taking 50% on the subsidiary's net income and a modest bite out of each parent corporation's 25% share. "However, earning power might well be less should either parent go it alone," the Institute said.

Weil, Roth Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Waldon Jones has been added to the staff of The Weil, Roth & Irving Co., Dixie Terminal Building, members of the Cincinnati Stock Exchange.

Two With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — Loretta K. Derr and Jay B. Morris have joined the staff of Central States Investment Co., 271 Poplar.

With J. P. Lewis

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Mrs. June K. Kumbera has become associated with J. P. Lewis & Co., Inc., 735 North Water Street.

Form Investors Trading

JERSEY CITY, N. J. — Investors Trading Corporation has been formed with offices at 101 Fairview Avenue to engage in a securities business. Officers are Samuel Schachner, president; Frieda Schachner, secretary; and Samuel Wertheimer, treasurer. Mr. Schachner was previously with Berry & Co.

Continued from page 25

The Private Utility's Future Depends on Consumer Attitudes

program a bit at a time. Do not frighten the people by showing them the whole program at one time. Rule Number Three—assure the common people their rights will be protected. Tell them whatever is done will be done for the further well-being of the average man, the little fellow.

So the public power advocate conceals his true motive today. Rather than talk about socialism, he talks in terms of comprehensive river development, about the global race for power, with America lagging behind. He talks about low-cost electricity to attract industries; and about democracy, which restores resources to the people.

In these respects, the consumer is being led astray. I am sorry to admit it, but the fact remains. While the voters express strong opposition to socialism and to public power on one hand, they are being led down the back street to socialism by other means. There is pronounced growing acceptance of "mixed economy" today, especially among the farm and labor groups. Only a small percentage in each hundred customers have ever heard of the preference law. Only a small percentage understands the inconsistency between hundreds of millions spent on TVA and so-called low rates in that area. People see no discrepancy regarding TVA's slow industrial growth, and the political implications of a bureau which is now maneuvering for unlimited power. Truly, it is a tragic reflection upon all of us that the consumer, who is on our side to start with, has been left in the dark as to what is going on. The consumer has listened to the siren's song and has moved perceptibly toward statism in the past several years, and we have not made sufficient effort to halt it.

When it comes to the third question—should the electric industry make greater effort to achieve public understanding—there are two important considerations. The first has to do with aggression against our enemies. I do not think anyone in private industry wants to say or do anything which will reflect unfavorably upon the many honorable representatives in government who come from areas of public power. I do not think we should slur the many splendid friends who happen to live in areas of public power. We have no quarrel with them; we believe there is a place for the beliefs and honest opinions of everyone in this great land. Municipal ownership has been in existence since 1882, the first years of modern electric service. Surely we prefer to live and let live.

However, the question of what we should do about the extreme advocates of public power is another matter. They are bitter. They are hostile. The public is not learning the truth. Even Hitler is credited with the saying that a lie told often enough becomes in the minds of honest people a standard of truth. Henry Hazlitt has said that to make no counter-attack against the fanatic is to adopt losing strategy. Therefore, can we afford to sit quietly and allow untruths about the industry to flood the nation? Specialists in the field of psychology are not so sure that name-calling and charges against the utility are falling upon deaf ears. Little by little, the drop of water will wear away the hardest stone. Someone must start to challenge the radical. People are compelled to think and act tomorrow with thoughts that are planted in their minds today. If extreme advocates of public power start something about rapid tax write-off, or tell our customers that comprehensive development is a good thing; and that private companies ignore such development for selfish reasons, there is bound to be some kind of prejudice. A false impression is being given, and it is up to somebody to straighten it out.

Links U.S.S.R. to Public Power Advocates

I think we should not overlook the fact that extreme public power promoters have the support of many radical groups, and that their strategy goes hand in hand. The un-American Activities Committee has reported that it uncovered a mammoth nation-wide campaign of political subversion. **The Soviet Union alone is spending something like $1,167,000,000 a year on propaganda, while the East European satellites spend another $529,000,000, with America and its power supply the number one target. A harmless incident taking place in Oregon, or Vermont, or in Texas, is hastily doctored up to fit into the great socialist scheme of things. The once harmless incident is quickly made to carry an evil portent for the population. It is given catch phrases, and it covers the nation in the matter of days, and ofttimes in the matter of hours. Teachers and writers and many commentators unwittingly reflect the prepared socialist philosophy. We simply must reach these influential people. We cannot afford to let experts in hatred toward the profit system have their say, without some kind of answer.**

At this point, I would like to recommend three simple steps which, if followed, can and should improve consumer understanding. I will briefly name them. It is not my intention to disparage other industry activities which are being carried on for the common good. I do not think it possible for us to overdo our public relations job. But in my opinion, and coming from the day-by-day experience in a very rugged part of the country, I would like to suggest that we give **special** emphasis to three things, as follows:

Recommendations

First, I urge each utility to pay closer attention to the wishes and needs of our customers. Each one of us makes our warmest friends by doing friendly things. It may be in the matter of service, or community building, or through the hearts of our employees. There is no one answer. But surely our first obligation is to continue to live right, and to keep our houses in order.

Secondly, I would recommend that every utility resolve here and now to place less reliance upon programs the other fellow has started, but rather to make some immediate effort to literally shake hands, each utility with its own customers. It is extremely difficult for a busy officer of the company to appear before a PTA, or before a television audience in a news interview. But after looking at some of our survey reports, I am convinced that unless we are willing—and that means all of us—unless we are willing to take time out to personally talk with more people about our problems—talk face to face with them—we can never achieve understanding, at least not in the lifetime of anyone here today. Oral persuasion, visiting with our customers face to face, is a must, if we want the public to understand.

Thirdly, I am inclined to believe with many of you that promiscuous name-calling does not gain too many advantages. We must leave the door open to potential friendly allies. In the first place, new alliances and new supporters are reshuffled so often these days, that we cannot afford to widen the gulf of resentment and the distrust that comes by name-calling. One never knows whether a vote for public power yesterday will favor private management tomorrow. Our object should be to work with everyone who will sit down with us.

Challenging Falsifiers

When it comes to the extreme advocate of public power, however, I will be the first one to recommend that we take him on. I believe in calling a spade a spade, and I have never run away from a good fight yet. I believe the industry itself should stand up and challenge the perfectly foolish statements that are flooding the nation. I believe we may go one step further. I believe we should put the spotlight upon the individual that promotes untruth, and explain just why he's doing it. One thing is certain to my mind. The longer we let these falsifiers get by with misinformation, the more courageous they become. If a man is a socialist, if his operations are unethical and evil, then I believe we have every right to draw public attention to such facts. Preliminary inquiry into the background of some of them convinces me that they are vulnerable. It may clear the air if we **do** take them on.

So now, in conclusion, I will reaffirm what I have said before. The public is on our side to start with. Our customers desire security and peace. They are not ungrateful for the many advantages which the great industries of America have provided. They desire us to carry on. Therefore, it seems to me that our one big problem is to get closer to the public, to let our customers know, first, what we plan to do in order to advance their security and well-being; secondly, we must talk to them face to face, as well as to the nation's leaders of thought, and explain our goal in simple terms. If we will do this conscientiously, I believe I am safe in predicting that all will be well with us. I believe we can and should work together. And I and my associates in the Water Power will stand with you in your efforts.

R. W. McGinniss Opens

WASHINGTON, D. C. — Robert W. McGinniss is conducting a securities business from offices at 1415 Tuckerman Street, N. W.

Walter O'Donnell Opens

HORNELL, N. Y. — Walter O'Donnell is engaging in a securities business from offices at 71 Maple Street.

Sexton Secs. Opens

JEFFERSON CITY, Mo.—Sexton Securities, Inc. has been formed to conduct a securities business from offices in the Central Trust Building. Officers are Russell W. Sexton, president and treasurer; V. M. Sexton, secretary; and Edward H. Bolten, vice president.

Form S. E. Secs.

HATTIESBURG, Miss.—Southeastern Securities Corporation is conducting a securities business from offices in the Magnolia State Building. Officers are Robert C. Cook, Sr., president, and Richard T. Dodder, secretary. Mr. Dodder was previously with Kroeze & McLarty.

With Cruttenden Firm

(Special to THE FINANCIAL CHRONICLE)

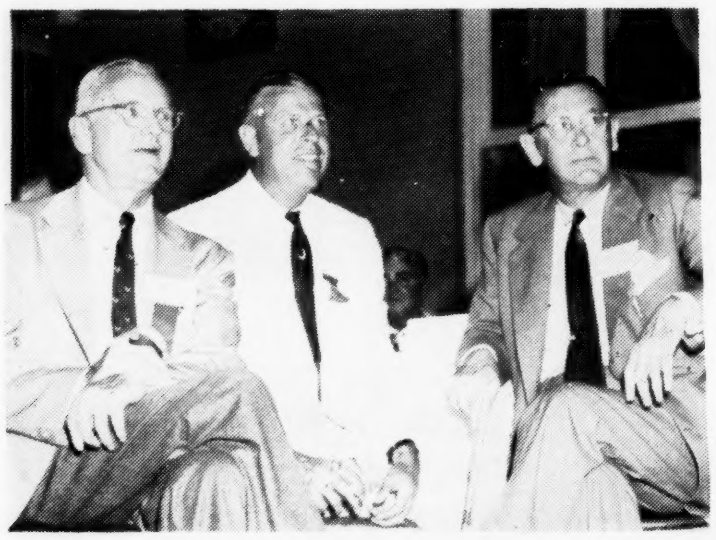
OMAHA, Neb. — Delmar W. Girard is with Cruttenden, Podesta & Co., 204 South Seventeenth Street.

Bond Club of New York

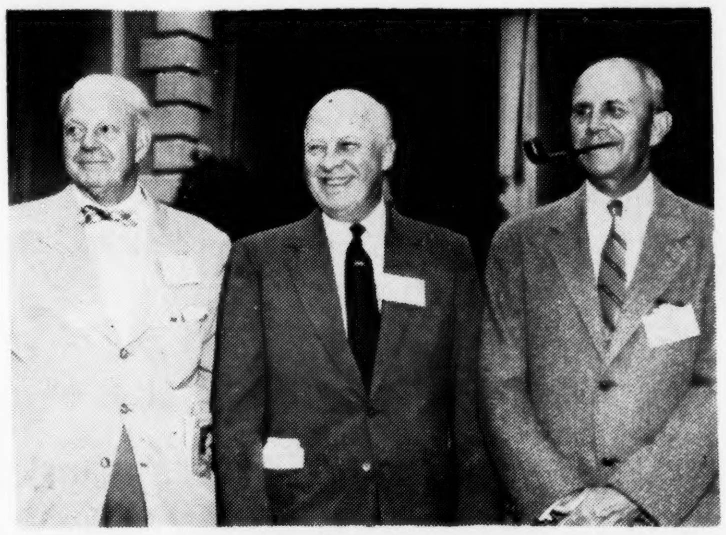
Calvin M. Cross, *Hallgarten & Co.;* Milton C. Cross, *First Boston Corporation;* Edward H. Ladd, *First Boston Corporation*

Wickliffe Shreve, *Hayden, Stone & Co.;* Sydney Duffy, *Blyth & Co., Inc.;* Robert Gardiner, *Reynolds & Co.;* Avery Rockefeller, *Dominick & Dominick*

Blancke Noyes, *Hemphill, Noyes & Co.;* Robert J. Lewis, *Estabrook & Co.*



G. H. Walker, Jr., *G. H. Walker & Co.;* William S. Renchard, *Chemical Corn Exchange Bank;* Edwin H. Herzog, *Lazard Freres & Co.*



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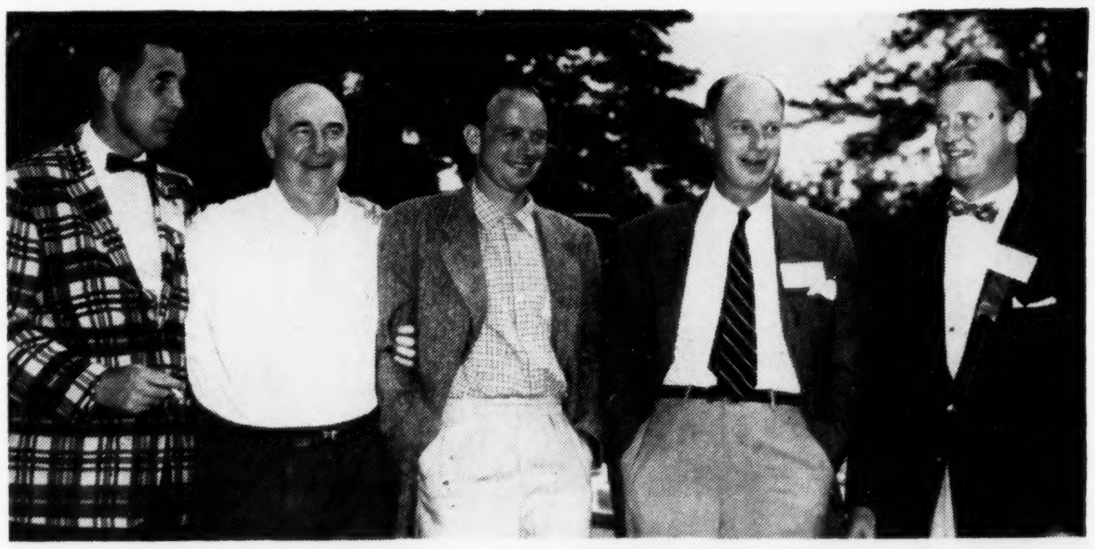
Col. Oliver J. Troster, *Troster, Singer & Co.;* Delmont K. Pfeffer, *First National City Bank of New York;* Lloyd B. Hatcher, *White, Weld & Co.;* Barron Rockwell, *Halsey, Stuart & Co. Inc.;* W. L. Canady, *W. L. Canady & Co., Inc.*



Walker W. Stevenson, *Hemphill, Noyes & Co.;* Nick Carter, *John H. Lewis & Co.;* Wallace Latour, *Merrill Lynch, Pierce, Fenner & Beane;* Robert E. Clark, *Calvin Bullock, Ltd.;* Maitland T. Ijams, *W. C. Langley & Co.*

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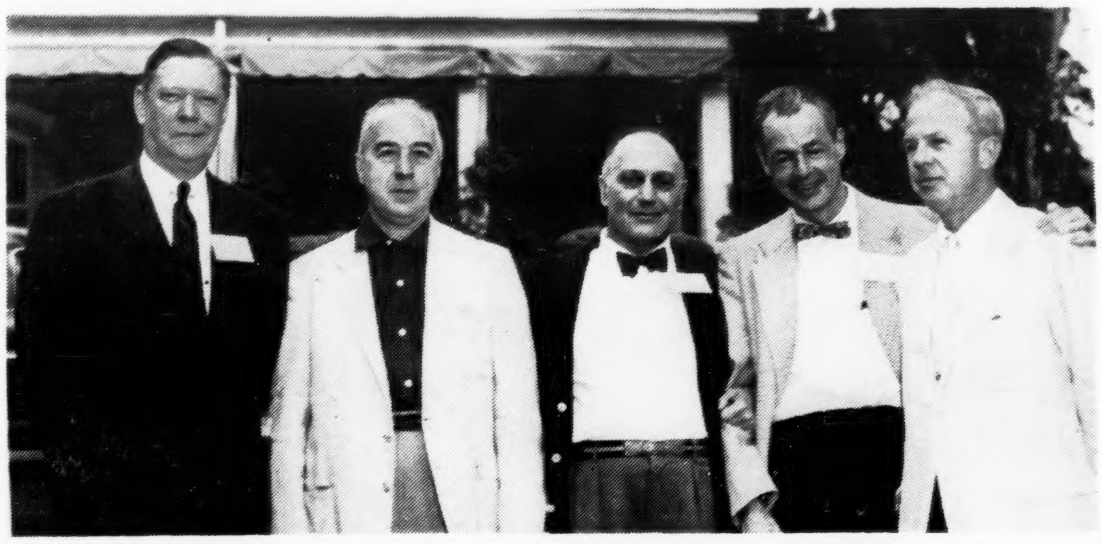
Clarence W. Bartow, *Drexel & Co.;* Joshua A. Davis, *Blair & Co. Incorporated;* James J. Lee, *W. E. Hutton & Co.;* Orin T. Leach, *Estabrook & Co.;* David B. McElroy, *J. P. Morgan & Co. Incorporated*

33rd Annual Field Day

Walter F. Blaine, *Goldman, Sachs & Co.;* Clifford Hemphill, *Hemphill, Noyes & Co.;* Paul F. Hay, *W. C. Langley & Co.;* Edward F. Coombs, *Asiel & Co.*



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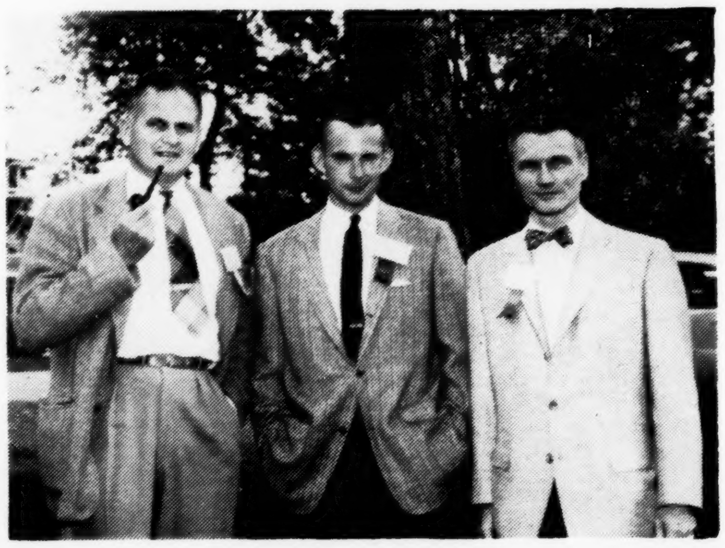
John E. Arrowsmith, *Van Alstyne, Noel & Co.;* Augustus J. Martin, *United States Trust Company of New York*

Arthur H. Kiendl, *Guaranty Trust Company;* Harold W. Davis, *Laird, Bissell & Meeds*



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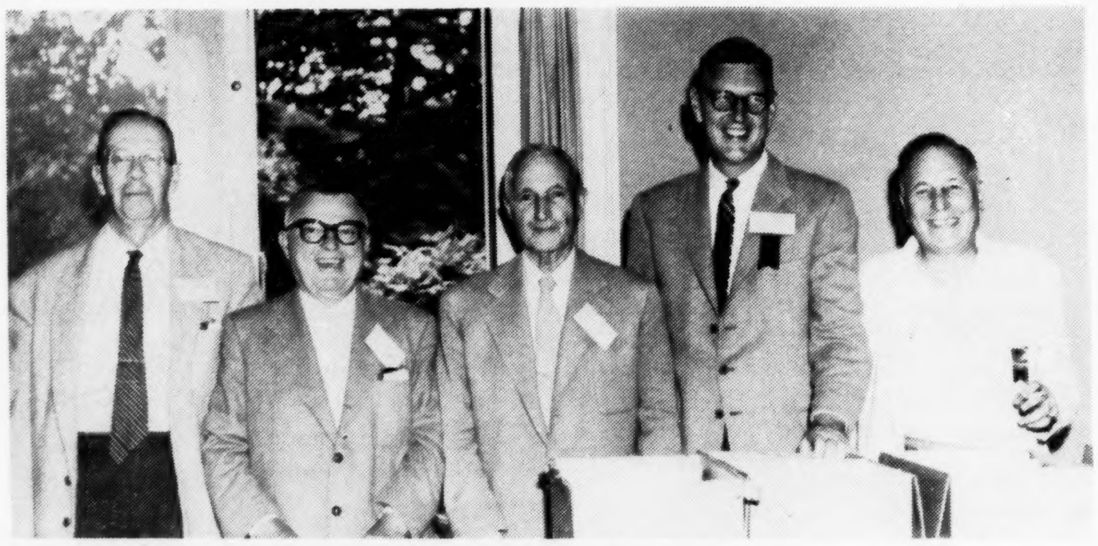

Carl T. Naumburg, *Stern, Lauer & Co.;* Conrad H. Liebenfrost, *Stern, Lauer & Co.;* John H. C. Templeton, *Dudley F. King;* Jansen Noyes, Jr., *Hemphill, Noyes & Co.;* James W. Wolff, *Zuckerman, Smith & Co.*

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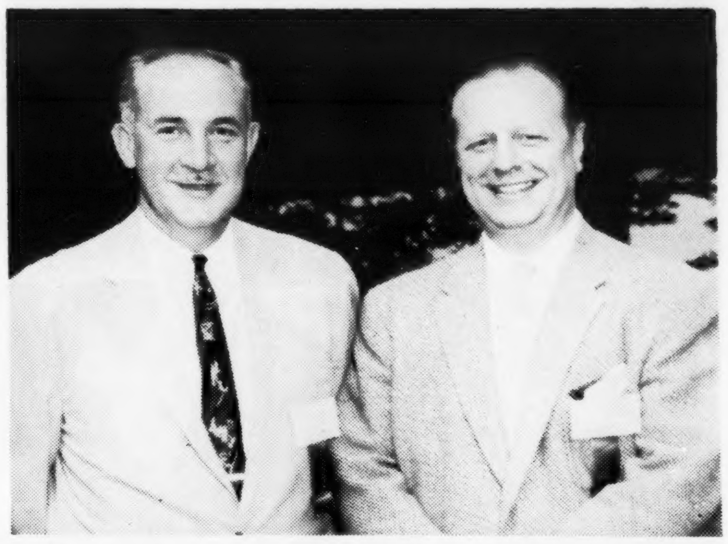
George E. Clark, *Adams Express Co.;* Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine;* Frank Charles Rader, *W. E. Hutton & Co.;* William Morris, *Salomon Bros. & Hutzler;* F. Donald Arrowsmith, *Van Alstyne, Noel & Co.*

Dudley N. Schoales, *Morgan Stanley & Co.;* John de F. Buckingham, *Richard W. Clarke & Co.;* E. C. Patterson, *J. P. Morgan & Co. Incorporated;* John Wasserman, *Asiel & Co.;* John Raiss, *Burnham and Company*

Held June 7th, 1957

David J. Lewis, *Paine, Webber, Jackson & Curtis;* Clifford Hemphill, *Hemphill, Noyes & Co.*

Fred L. Heyes, *Brown Brothers Harriman & Co.;* Frank L. Lucke, *Laidlaw & Co.;* Reginald Auchincloss, Jr., *Courts & Co.*



Hal Murphy and Edwin L. Beck, *Commercial & Financial Chronicle*

Arne Fuglestad, *Barns Brcs. & Denton, Inc.;* Edwin F. Peet, *Burns Bros. & Denton, Inc.;* H. Keasbey Bramhall, *Bramhall, Falion & Co. Inc.;* J. Raymond Smith, *Weeden & Co.;* Raymond D. Stitzer, *White, Weld & Co.*

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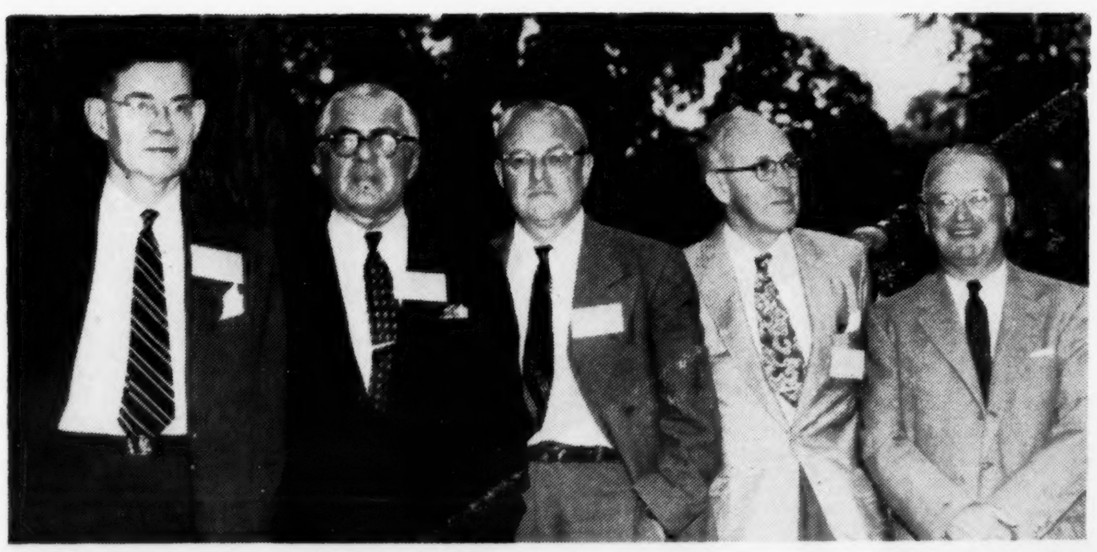
Alfred J. Stalker, *Kidder, Peabody & Co.;* Brittin C. Eustis, *Spencer Trask & Co.;* Mathew Dean Hall, *L. A. Mathey & Co.;* Allen J. Nix, *Riter & Co.;* Ralph Hornblower, Jr., *Hornblower & Weeks*

Malcolm Sedgwick, *Home Insurance Company;* David H. Callaway, *First of Michigan Corporation;* Marquette de Bary, *F. S. Smithers & Co.*

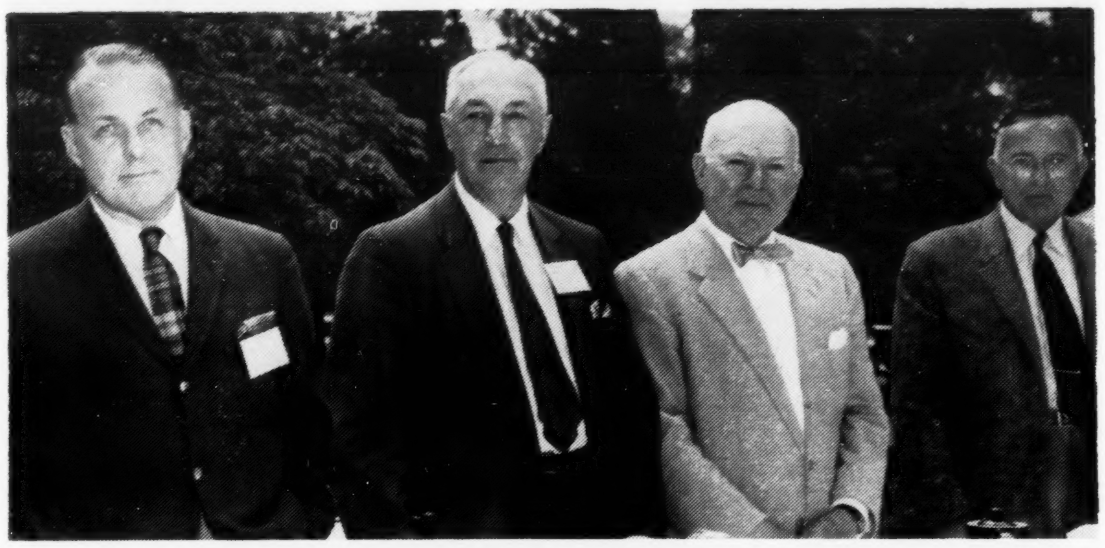
Eugene G. McMahon, *J. Barth & Co.;* Edward Cobden, *Kean, Taylor & Co.;* Frederick M. Grimshaw, *G. H. Walker & Co.;* George R. Waldmann, *Mercantile Trust Company,* New York; Gene Marx, *Bear, Stearns & Co.*



Harold J. Schluter, *First National Bank of Chicago,* New York; H. Albert Ascher, *Wm. E. Pollock & Co., Inc.;* Darnall Wallace, *Bache & Co.;* Joseph S. Nye, *Cosgrove, Whitehead & Gammack;* John S. French, *A. C. Allyn & Co.*

At Sleepy Hollow Country Club

Roland Merrill, *Lee Higginson Corporation;* Brooke L. Wynkoop, *Fahnestock & Co.;* Edward H. Nelson, *Gregory & Son*



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Arthur C. Turner, *New York Hanseatic Corporation;* Kenneth A. Kerr, *Central Republic Company;* Edward L. Holsten, *Salomon Bros. & Hutzler*

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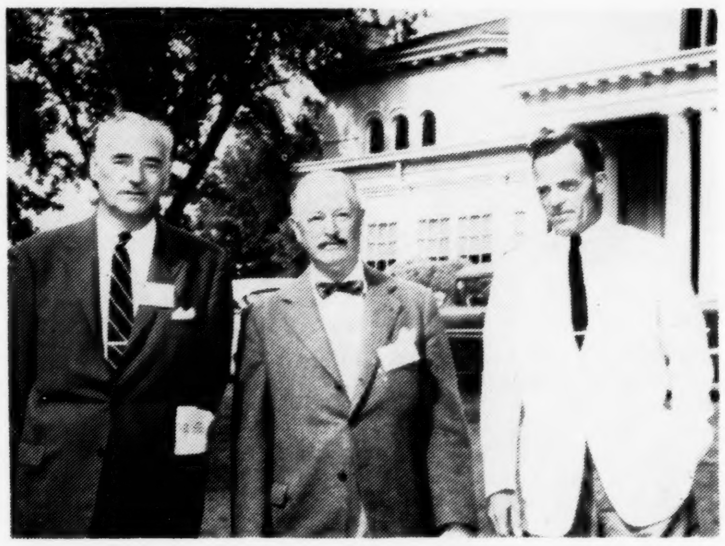

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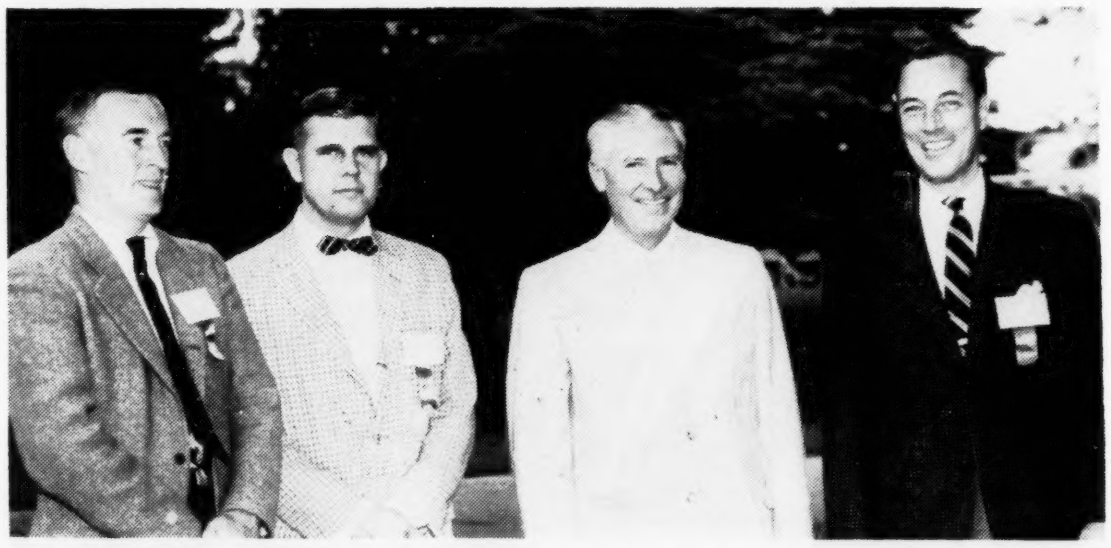

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Jan Hunt, *White, Weld & Co.;* Emil J. Pattberg, Jr., *First Boston Corporation;* Isaac B. Grainger, *Chemical Corn Exchange Bank;* Frank J. Humphrey, Jr., *Kidder, Peabody & Co.;* Robert L. Harter *First Boston Corporation;* Elliot Bliss, *Morgan Stanley & Co.*

Continued from page 3

Factors Affecting Availability Of Capital for Electric Industry

of retirement on the Black Sea have evaporated.

While we take satisfaction at the liquidation of the Soviet bond market, we should take heed of our own position when we see the bond market deteriorate in countries like England and France. It is more than happenstance that, though the yields on your newly issued A bonds today are more than 1% higher than they were on similar newly issued bonds 12 months ago (from 3.70% to 4.75% plus), the yields on electric common stocks, as measured by the Dow Jones Utility Common Stock Average have not increased. Let us not take it for granted that 30-year money will always be available at some reasonably reasonable rate, whatever that is. With at least one-half utility capital funds being derived from the issuance of long-term debt securities, no one should be more interested in the containment of inflation than utility managements and their stockholders. In my opinion, if interest rates are allowed to move in response to economic factors, the supply and demand for funds should balance out. But if an attempt is made to recreate artificially low interest rates, the increased inflationary pressures may well result in a reappearance of the rate of depreciation of the dollar which took place during the Roosevelt and Truman Administrations. And that would be bad not only for the industry but for the great majority of the people.

It should be just as obvious to the State Regulatory Commissions as it is to Wall Street that the industry must not fail to maintain its present good standing in the competitive money markets if it is to continue to obtain funds advantageously. A *status quo* ante cannot be maintained passively as the credit experience of the railroads demonstrates.

Three factors not the least in importance of those the investor weighs in considering an investment in the electric industry are:

The growth and development of the business,
Regulatory attitude,
And management incentives.

I should like to discuss them and their impact on ability to raise capital.

Growth and Development of Business

Over the past decades, investors have been attracted by the ability not only to produce the electric energy required for a growing population but also to sell greatly increased amounts per capita. The investors have been impressed by the fact that some of the increased gross has been carried through to earnings available for dividends.

They know that the healthy growth trend has been stimulated by aggressive promotional and sales efforts of an ever-increasing number of time-and-labor-saving devices which the manufacturers have so effectively produced and by vigorous promotion of new uses of electric energy. The analyst knows that as a result of efficiencies and of the economic facts of the industry, the consumer is getting more for his money. He takes satisfaction in the fact that the average price paid for each kwhr by domestic consumers has decreased from 4.67 cents in 1936 to 2.60 cents in 1956, while the price of a package of cigarettes has increased from 12.5 cents a package to 24 cents. The comparison of cigarettes and kwhrs is not as nonsensical as it may seem, for each of them pay taxes of more than $1,500,000,000, and on each of them the average American family spends annually approximately the same amount of money. As to the benefits to the stockholders from better business, I mean from kilowatthours, and not cigarettes, before any political demagogue shouts "give away" let me point out that though Dow Jones utilities averages have advanced 190% since 1939, the stockholder has gained only 25% in purchasing power.

But to return to growth, only in recent years has the sophisticated investor begun to realize that the electric industry is one of our outstanding growth industries. Earlier one of his fears had been dissipated when he had learned from experience that the industry was able to protect itself from rising costs by modest rate increases, including automatic operation of fuel clauses in some areas, and by improved operating efficiency.

For many years, the chemical industry has been regarded as our outstanding growth industry. With 1947-1949 as a base, its production has risen about 70% faster than industry as a whole. Some analysts estimate that the Federal Reserve Board index for the production of industrial chemicals will rise at an annual rate of 7% through 1960. But to the surprise of many, the average rate of growth for the electric utility industry has been in excess of 8% annually and, for some of the more rapidly growing electric companies, the rate is double this amount.

In my opinion, if the growth of the utility business is to be effective enough to attract more common stock investors, it must be accompanied by increased earnings per share of common. Since expansion involves risk, the common stockholder feels that he is entitled to participate to some degree in the benefits of growth. Fortunately, the postwar record shows that regulated utilities, even with a fixed rate of return, have been able to increase their earnings per common share by selling, as they have in most cases, new issues of stock substantially in excess of the book value of the outstanding stocks.

Now to discuss briefly a subject which should be unpopular to the unsubsidized taxpayers — subsidized power.

Subsidized Power

The investor had hoped that the subsidized power zealots would run out of steam for lack of public interest because of the industry's great record of more service at less cost to the consumer in spite of the inflation. But such has not been the case. The political chicanery and outright misrepresentation involved in the Memphis steam plant case, the preference clause struggle at Niagara and the Hells Canyon case clearly indicate that the public power partisans have no intention of abandoning their campaign.

It has been shocking to many of us, during recent days, to read the biased opinions emanating from Washington regarding the accelerated amortization certificates granted to Idaho Power Company for the Brownlee and Oxbow hydro plants. The overall objective evidently is to keep the issue stirred up on a national scale in the hope of political gain and perhaps, in some cases, to maintain entrenched positions of self-interest.

In any event, let me state in no uncertain terms that the investors are convinced that the industry must not lower its guard and should carry the battle to the enemy by a continuous and aggressive program of public information and education.

Speaking of education, let us hope that in the future there will be a requirement that subsidized power bodies will have to make full disclosures just as investor-owned utilities do prior to the sale of their securities. Many of us believe that such statements would make very interesting reading, particularly as regards the fees, the interests, and the prerequisites of the promoters.

State Regulation

Now as to regulation, the factor weighed most heavily by sophisticated investors in their appraisal of utility securities and, more particularly, the common stocks, has been for some time and still is the regulatory climate of the State in which each company operates. For companies to attract sufficient capital on advantageous terms, it is essential for them to secure rates of return which will result in market prices for their common stocks above their book value. While a good climate has generally prevailed, there have been areas of cloudy skies, of low pressure, and even of a few hurricanes. For example, punitive, doctrinaire, and/or political regulation led nearly to financial disaster in part of Florida. The results were so alarming that a choice had to be made between remedial action or curtailment of urgently needed expansion. Fortunately, justice and the public interest prevailed; the State Railroad Commission was given jurisdiction over the electric utilities, and in early rate cases, it adopted reasonable and constructive policies. Florida regulation today is constructively fair. As a consequence, its utilities have acquired the huge sums they have needed at relatively advantageous rates.

The analysts of utility securities, of whom there are many, keep themselves well informed as to the regulatory climate by studying the significant rate cases. If they are made uneasy by the implications of a particular decision, they may well decide not to recommend further investments until the attitude is modified. There is no escaping the fact that the analysts direct the flow of much utility capital.

Let me strongly urge that utility management be vigilant in making certain that no such conditions ever exist in its industry. It is important now, not only that your rates of return are not eroded, but also that they are adequate in relation to present-day money cost. Money costs today for bonds and preferred stocks are far higher than they were a few years ago, and rates appear to be headed upward at least as long as the business boom and the inflation continue. A 5% rate on an A bond is now no longer disrespectable, and 6% on preferred stocks, if it is available, is not considered excessive.

An important essential for the maintenance of a fair rate of return is a continuous education of the public, of the regulatory commissioners, and of commission staff members to keep them fully informed as to the facts and trends. At this point permit me to pay tribute to the Irving Trust Company for its achievement in originating and carrying on the Irving Trust Forum. Under the leadership, first, of Tom Walker, President of Gulf States Utilities Company before he joined the bank, and later, under the direction of John Childs, now Vice-President of the bank, the forum has made a real contribution to the welfare of electric consumers, investors and workers, by bringing together, at regular meetings, utility executives, institutional investors, commercial and investment bankers, utility commissioners, and commission staff personnel in order to discuss informally problems of regulation and finance.

Management Incentives

To the investor, sound growth and regulation are not enough. To them must be added competent management. Without such management, the industry cannot continue to make progress, cannot resist as successfully as it has the attacks of the subsidized power lobby, and cannot take full advantage of the tremendous technological improvements that the electronic and atomic age are making practical.

The industry has been fortunate in the number of high caliber men in management positions. In bygone days some of those who opposed the Public Utility Holding Company Act argued that much superior management was supplied to the operating companies from the central headquarters of the holding company and that there would be a serious breakdown in the management chain if this link were destroyed. After the holding company breakup, this did not prove to be the case, for the heads of the operating companies met the challenge of independence successfully.

Though investors generally believe that electric utility management is good, some of the more farsighted ones are not so certain as to the future. They question whether the electric utility industry is doing enough in competition with other industries to obtain, develop and retain the services of men of promising and/or outstanding ability.

Let us study the questions: Are salaries adequate and does the industry offer enough incentives to attract and hold top managerial personnel?

Executive Salaries Below Average

Statistics indicate that the electric industry has not kept pace with other industries in the payment of executive salaries. Perhaps this is so because too many Boards of Directors have felt that a regulated industry should not pay salaries comparable to those paid in non-regulated competitive industry because of possible disfavor by the public and the commission. This reasoning does not impress the sophisticated investor.

I strongly recommend consideration of the National Industrial Conference Board *Studies in Labor Statistics, No. 17*, "Compensation of Top Executives." According to it, the average annual compensation of $67,000 for the top officer in a large representative group of utility companies supplying either electricity or electricity

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Factors Affecting Availability Of Capital for Electric Industry

and gas is $20,000 lower than the average for the 28 groups analyzed and is fourth from the bottom. As one descends the managerial line, the relationship becomes slightly worse for the average salary of the number two and number three men in the electric utility industry in relation to the salary of the average top men in the industry is the lowest for all but three of the groups studied. Perhaps the Boards of Directors have acted on the assumption that, because of increasing taxes, higher salaries become increasingly less effective. But, since salaries of the junior officers are geared to the salaries of the senior officers, the effect of non-average salaries at the top undoubtedly influences all salaries.

Stock Option Plans

Now how about stock option plans for senior and junior officers? The policy of the industry toward them appears to be almost negative in spite of the fact that an increasing number of industrial companies are adopting such plans. In the investors' opinion, the Board of Directors and the stockholders of these companies are acting in their own long-run self-interest. The results of an analysis by the New York Stock Exchange of the stock option plans of listed companies are revealing. The box score may be of interest.

	Electric Cos. Adopting Plans	Industrial Cos. Adopting Plans
1947-1951	0	77
1951-1953	1	123
1954-1955	3	136
1956 (first half)	0	68
	4	404

If such plans are sound for 404 industrial companies and for Kansas Power & Light Company, Southwestern Public Service Company, Montana Power Company, and American & Foreign Power Company, perhaps they are advisable for others. The Board of Directors and the stockholders of the Cleveland Electric Illuminating Company must have thought so, for recently they put into effect such a plan. 96.5% of the stockholders of the Company Voting (80% voted) at a recent meeting approved a plan which provides for the granting of 10-year options to managerial personnel on 200,000 shares of stock. The Company, I am told, readily obtained the approval of the plan from the Ohio State Utility Commission.

In its letter to its stockholders, the Company wrote:

"The future progress of the company is directly related to its ability to secure and retain the services of employees of outstanding ability. To do this, the company must compete with all other industry.

"In an effort to secure and retain such employees, industry has widely adopted the practice of granting stock options as a supplement to compensation. To enable the company to meet this type of competition, and to keep its over-all compensation plan comparable to good industry practice, your board of directors believes it would be in the best interest of the shareholders to approve the proposed Employee Stock Option Plan for key employees."

The investor, I am certain, is convinced that stock option plans are in his own self-interest. It should not be difficult to convince the regulatory commissions of most States that they are of benefit to the consumer.

Increased ownership of the common stock of a company by its officers, and other personnel would result from stock option plans. This would please the investor, for he believes that he is best protected in companies in which the directors and officers have substantial stock interest.

Recruitment of Managerial Personnel

Now what is the record of recruitment of the new engineers who in time will be increasingly important to the industry? A technical industry that obviously must obtain each year a number of junior engineers to be the managers of tomorrow. At the present time the electronic, missile and other companies probably are offering starting salaries to able young engineers considerably in excess of those your industry is offering. If this continues, the consequences to the industry will be grave. I recommend, for serious consideration, the study, "What Electrical Engineering Seniors Think About Jobs" prepared by representatives of Stanford Research Institute, Michigan State University and the University of Pennsylvania. A questionnaire was answered in March, 1956, by 3,433 senior and graduate students in electrical engineering of 129 colleges. The students were asked for their opinions about different kinds of business and occupations and the positions they finally accepted. The number of respondents approximately equaled 50% of all the graduates of electrical engineering in 1956.

The most striking conclusion of the students was their general belief that the financial opportunity in the electric utility companies was far below that in the electronic and electrical equipment fields.

Another illuminating point developed in the survey was the fact that the average monthly starting salary in the electric utility field was twelfth in the list and next to the Government service which was at the bottom.

We know, as a result of our financial business that the utility industry offers a great future for well qualified college graduates. The apparent failure of the students to realize that such is the case presents a challenging opportunity to convince them.

In our business, as in many others, the question most frequently asked is, "What's new?" Now to tell you anything new is difficult —and by that I do not mean to imply we are like an ambitious bureaucrat who, though he adds 000's to every equation, does not know how to use a slide rule to get sound answers. There is probably no industry in the world which has to prepare so many statistics. It has to answer the innumerable questions of the regulatory authorities, to attempt to educate the Washington inquisitors, to defend itself against the demagogic attacks of the public power mongers, not to mention the interrogations of our own profit-seeking security analysts. And all the facts, figures, and opinions are available to all and sundry.

Recent Bidding Losses

One fact is new and tough for us to take; the red ink resulting from our losses in bidding during the last two or three weeks for new utility bond issues. Our step-by-step retreat in the declining bond market has not been fast enough. The electric industry is not in our debt for these losses. In fact, utilities should adversely criticize us for them, for they (our losses) will not help obtain higher prices for forthcoming issues. The inherent weaknesses of compulsory competitive bidding for bonds are now becoming apparent, but the subject is too involved to discuss in this paper. As and if bond money becomes increasingly difficult to obtain, definite judgment will be given to this controversial subject by the record and not by the pundits of the SEC and/or the FPC.

I cannot resist quoting Judge Medina's *obiter dicta* during the course of the Anti-Trust trial of the 17 investment firms, to which I have already alluded, on the origin of compulsory competitive bidding:

"But the fact is that it does seem as though there might be something in what various lawyers for the defendants have urged upon me; that some of these people made such a nuisance of themselves raising these ructions with the various public bodies involved, that the only way they felt they could get rid of that incessant carrying on of hearings and attempt to decide things that they could avoid deciding was to put it in competitive bidding."

In this discussion I have not included statistics about bond, preferred stock, and common stock prices. These figures are readily available to all. It would be painful to me to have to discuss here, as I have to in the office, the downtrend of bond and preferred stock prices. To discuss the rising common stock prices might bring all of us bad luck.

NY Cotton Exchange Elects Officers

Malcolm J. Rogers was re-elected President of the New York Cotton Exchange. Re-elected Vice-President is William K. Love, Jr. of Anderson, Clayton & Fleming. John M. Williams of Royce & Co. was re-elected Treasurer. Those elected to the Board of Managers are: Harry B. Anderson of Merrill Lynch, Pierce, Fenner & Beane; Edward C. Angelery of Felder & Co. Alfred Boedtker of Volkart Brothers Company; W. Oscar Cate of Central Cotton Co.; Tinney C. Figgatt, New York City; Clayton B. Jones, Jr., New York City; Frank J. Knell, New York City; John D. Miller, Jr. of Robert Moore & Co.; Hugh E. Paine of Abbott, Proctor & Paine; Fred K. Perutz, New York City; Joseph M. Sauer, New York City; Gustave I. Tolson of Geo. H. McFadden & Bro.; Robert K. Vincent of The Kendall Company; Alden H. Vose of Kohlmeyer & Co.; and Albert M. Weis of Irving Weis & Co.

With the exception of Messrs. Angelery, Cate, Perutz and Weis all of the others were members of the retiring Board who were re-elected.

The new officials of the Exchange take office Thursday, June 6, for a one-year term of office.

McCabe Forms Own Co.

(Special to The Financial Chronicle)

DENVER, Colo. — William E. McCabe has formed W. E. McCabe & Co., Inc. with offices in the First National Bank Building, to engage in a securities business. Officers are Mr. McCabe, president; V. V. McCabe, vice president; and Gladys Burge, secretary. Mr. McCabe was formerly manager of the corporation and trading departments for E. A. Hanifen & Company, with which Miss Burge was also associated.

Harris, Upham Names Conlin Registered Rep.

Donald Brady Conlin, formerly a general partner of B. J. Conlin & Co., has been appointed a registered representative with Harris, Upham & Co., 120 Broadway, nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange. Mr. Conlon has been a member of the New York Cotton Exchange since 1954.

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Future of Power Business And of Power for America

add enormous amounts of power capacity to serve the growing needs of the American people. America's power capacity has been increasing much more rapidly than its population. People are using more and more electricity, with a resultant increase in their standard of living. Since 1916 our population has increased from about 102 million to 170 million, an increase of around 67%. During the same period, the electric industry's generating capacity has increased from 3.2 million kw in 1916 to 120.4 million kw in 1956, an increase of 1,371%.

America's generating capacity keeps well ahead of the demands for power. Power companies make their plans in advance. They anticipate the requirements of the people of the areas they serve. Even during the crucial period of World War II, the power industry was able to meet all demands made on it for both war and civilian needs. Electricity is one of the few commodities that was not rationed during the war.

Often during this past quarter-century we have heard predictions from some quarters that there would be power shortages. For the most part these predictions came from those who wanted to see more government power plants built at the expense of the taxpayers. The predicted shortages have failed to materialize except in certain areas where government-planned power is predominant.

America's Power Capacity Compared to the Rest of the World

The United States has more electric power capacity than the next seven countries of the world combined. We have about four times as much power capacity as the next ranking country, Soviet Russia. The American electric light and power companies alone have installed new capacity in the past five years equal to all of the present installed capacity in Russia. America's power companies will build in the next five years more new power capacity than the total now installed in Russia.

Sometimes we hear of a kilowatt race between America and other countries. We have already won the kilowatt race and we expect to keep on winning it by installing new power capacity to keep America ahead. In Russia, where the government plans, owns and operates all the power facilities, there is a total installed capacity of 32 million kw for 200 million people, as compared with America's 120 million kw total to serve 170 million people. Under these circumstances there can hardly be any comparison of the state of development of electric power in the two countries. The so-called race is in reality a myth.

The reason for this is that America's faith in our industry, as expressed by the action of free investors in putting their savings in our business, has permitted us to build facilities when they were needed. In 1947 the American people had about $14 billion invested in electric utility plant of the investor-owned companies. Investment presently is $33 billion. Ten years from now it is expected to be between $65 and $70 billion.

In this fact, of course, lies the principal difference between the operation of the power business under the free enterprise system and the operation of the power business by government. Under our free enterprise system, every individual is free to invest or not to invest in the business. If a person owns a bond or a share of stock, he is free to sell or not to sell it at any time at the market price. When the government owns and operates a business, the individual is not free to decide whether or not he wants to be an owner. He is a forced owner because he is a taxpayer. He is not free to sell his interest in a government power project.

Sales

During the past year we continued to push our sales to new peaks. Our past record of residential sales has been one of constant increase. Our forecast of loads in 1965 indicates an average use of nearly 6,000 kwhr per residential customer. The all-electric home is becoming increasingly popular as more and more uses of electricity are being developed.

As an example of the new uses which are being developed for electricity, in the residential field alone there are 15 appliances in use today which 10 years ago were in the experimental stages. The electrical manufacturers are developing an average of 1½ new appliances per year. To name just a few that have come into popular use during the last decade, there is TV, both black-and-white and color, the new high-speed dryer, two-zone refrigerator, electronic range, room air conditioner, heat pump, built-in oven and counter-top range, and the quick recovery water heater.

One manufacturer estimates that 60% of all electric appliance sales today are for appliances that were not on the market 10 years ago. In forecasting our loads, we have to allow for the "phantom" appliances which will inevitably be developed in the coming years; there is nothing to indicate that we will not continue to develop an average of 1½ new appliances per year—appliances that no one has thought of yet.

Electricity, through its use in industry, plays an important part in bringing about the widespread use of machines responsible for the high standard of living that we enjoy here in America. Last year, 98½% of all of our work in America was done by machinery and only 1½% by men and animals. Because of this machinery, every working man in America has working for him the equivalent of 279 helpers.

In our sales promotion activities we are turning more and more to cooperative selling techniques. For example, we have the highly successful HOUSEPOWER program which aims to eliminate the bottleneck of inadequate wiring on the customer's premises. There is the enthusiastic "Live Better Electrically" program, a combined selling effort to manufacturers, utilities, distributors, dealers — all those interested in making the benefits of electricity more generally available. The annual National Electrical Week, organized only two years ago, has proved to be another effective nationwide promotion. The Better Light Better Sight Bureau started 23 years ago and continues to carry on its promotional activities in the lighting field.

The Price Record

Anyone looking over the price record of the electric light and power companies must describe it as good. It speaks well for our system, under which the business is done by businessmen, while men in government act as regulators. It is the result of a combination of many factors.

Interconnection and pooling, for

example, have enabled us to take advantage of the efficiencies gained through operating on a larger scale. These moves toward increased efficiency have resulted in an increase in the maximum size of generating units in use over the years; the transmission voltages have been rising steadily, as well. The trend toward larger generators has sparked the need for increased temperatures and pressures at which steam plants operate. All these developments, and others, have resulted in an increase in generating efficiency, as shown by the fact that it takes much less fuel to generate a kilowatthour of electricity today than it did 10, 20 or 30 years ago.

As a result of constant gains in operating efficiencies, a careful watching of all expenses, and the constantly increasing use of electricity on the part of the public, the average revenue from residential customers per kilowatt-hour of electricity is only 34% of what it was in 1916. By way of comparison, the cost of living is now about two and a half times what it was in 1916.

This record speaks well for the free enterprise system, under which free men compete with each other for incentives provided by the consuming public at the market place. It speaks well for the system of government regulation of the utility business. State and Federal regulatory bodies have helped to insure that both the customers of the company and the investors in it have been treated fairly.

The term "power monopoly" has been misused in a way that may cause some confusion on an important point. It is said that the Federal Government should be in the power business, at least to some extent, in order to prevent the private power companies from having a "monopoly" in the field.

The answer to this argument can be found in the fundamental economic principles underlying the power business. These economic facts and principles are well known to power company executives. In fact, they are so basic that to us it may seem unnecessary to talk about them. However, we must remember that to our friends outside the power business, these facts are largely unknown. Learning them will add greatly to their understanding of the reasons why it is customary for only one company to supply power to any particular area.

The power companies are carefully regulated—by the state commissions for intrastate operation, and by the Federal Power Commission for interstate sales of electricity at wholesale. These commissions have three main responsibilities:

(1) To insure adequate electric service.

(2) To prevent unjust discrimination among users, and

(3) To establish a fair price from the standpoint of both the customer and the investor.

How well has our regulatory system met these responsibilities? As to the first, this system of government regulation has worked well because all demands for electricity have been met by the regulated companies. As to the second, there are few complaints concerning discrimination. As to the price, the record speaks for itself.

These facts may seem elementary to us, but they are unknown to most people. They must be learned before the position of the power companies can be understood. Once these basic facts about our business are understood, we can proceed to discuss the monopoly question.

The Benefits of Free Enterprise

Few of us realize the tremendous advantages of our political system over the systems of other countries. We do not stop to think that Americans, with only 6% of the world's population, use 41% of the world's electric power. The reason for this is the same as the reason they have 56% of the world's telephones, 71% of the world's passenger cars, 50% of the world's radios, and 75% of the world's TV sets. This same reason explains why Americans, who comprise only 1/16th of the world's population, working on 1/16th of the earth's surface, produce about half of the world's goods.

The reason is that in America the government does not operate business. The business of producing goods and services is conducted by the citizens. The government acts only as a referee and peace officer to maintain fair play.

Despite our nation's great achievement under this system, there are those who say that we ought to change to another system. Strangely enough, these people have found support among many. Our studies indicate that the reason for approval of the preference clause and for toleration of tax discrimination in favor of government-operated power projects is, basically, a lack of information. An analysis shows that when people are informed on the facts concerning these issues, they tend to vote for the free enterprise system and against these socialistic measures. The key to the solution of our problem lies in telling the facts.

There is strong evidence for the belief that public respect and recognition of the industry's attainments in supplying electric service is presently at its highest; thus, the public is probably more receptive to learning the facts now than at any other time in the past. It also appears that never before have the leaders in our industry been so conscious of the necessity for practical, well-considered, fruitful work in the field of communication. The solution of the problem rests in the minds, responses and actions of the people when they know the facts.

Extension of Service and Rural Electric Cooperatives

The past quarter-century has seen electric service extended to virtually every home in America. About 99% of the people in America have electric service available to them. Of the farm customers, 50.7% are served by the nation's 930 Rural Electric Cooperatives, 43.4% by the power companies, and 5.9% by various municipal plants and districts. About 46% of the electricity sold by the electric cooperatives is purchased from the power companies.

There is need for further enlargement of the benefits that the farmer receives from electricity. In this effort, there is room for a good deal of cooperation between the companies and the co-ops. The sales field is one in which both cooperatives and companies can work together. There is a bright future in increased usage of electricity on the farm, both for the farmers and for the suppliers who furnish electric service to them.

Atomic Energy

No discussion of the industry's future would be complete without mention of the new and growing field of atomic energy. It was not until the latter part of 1954 that industry was permitted for the first time to develop and construct its own nuclear power plants. Today, exploring and improving the use of nuclear energy as a power source has become an integral part of the everyday activities of our industry in seeking to lower the cost of power for the continuing benefit of the public. At the present time, a little over two and one-half years since first permitted to undertake this development, 80 electric utility companies are participating in the development and construction of 14 nuclear reactor projects and one thermonuclear research project. Two other groups of companies have announced they are considering undertaking nuclear reactor projects, and in addition a large number of companies have been actively following nuclear power development as members of research and study groups or individually under the Atomic Energy Commission access permit program.

Of the 14 reactor projects announced thus far, seven are either under construction or in the immediate pre-construction stage, while the other seven are in various stages of planning. When completed, these reactor projects, involving several different types and designs, are expected to have an electric capacity in excess of 1.5 million kw and to involve an expenditure of over 400 million dollars.

While these projects will add a substantial amount of capacity to the nation's total, this is not the primary reason for their construction. With our abundant supplies of relatively low-cost fossil fuels and the advanced state of our conventional power plant technology, nuclear power technology must be highly developed in this country before it will be possible to make electricity as cheaply with nuclear fuels as with conventional fuels. The present nuclear reactor projects are being undertaken primarily to advance technology, to study methods of cutting costs, to train scientific and technical personnel, and to determine which of many possible reactor types are most promising from the standpoint of producing economic nuclear power.

We believe that a comprehensive program of nuclear power development should be carried forward in our country with all expedition consistent with sound scientific and technical considerations and in a manner compatible with our traditional free enterprise system. In this development the resources of industry should be utilized to the maximum extent possible, thereby enabling government expenditures to be held to a minimum. The time, technical manpower and funds being devoted to the present programs of electric power companies, and the progress being made, are substantial evidence of our industry's determination to help bring about competitively economic nuclear power.

Foreign Countries

Some have expressed concern over the fact that certain nations have scheduled construction of larger quantities of nuclear capacity than has the United States, and that because of this, our nation is "behind" in nucelar development. A shortage of fossil fuels, with attendant economic disadvantages, makes nuclear power capacity almost an immediate necessity in these countries. Large amounts of nuclear capacity are planned because these countries expect that it will be economic. The same nuclear plant that would be competitive in these countries, however, would not necessarily be competitive in the United States because of our abundant supplies of relatively low-cost conventional fuels and the advanced state of our conventional power technology. It is reasonable to expect that, once nuclear technology is advanced to a point where it becomes as cheap to produce electricity with nuclear fuels as with fossil fuels in this country, we shall add tremendous quantities of nuclear capacity.

In this country we are undertaking a comprehensive program of nuclear development, exploring a great number of ways to generate heat with nuclear fuels, and improving methods that appear most promising. We are looking for the best nuclear reactor type or types—ones that will enable us to produce electricity with nuclear fuels as economically or more economically than with fossil fuels.

We should also keep in mind the overall situation insofar as electric power capacity is concerned. What we want and what we have in this country is an abundant supply of relatively low-cost electricity. We have more electric capacity than the next seven nations of the world combined. A program announced by several European nations, calling for 15 million kw of nuclear capacity by 1967, represents a significant addition to their generating capacity, but it should be brought into perspective by pointing out that the U. S. will add about 25 million kw of capacity in the years 1957-58 alone. We are far ahead in the real kilowatt race.

The Future

And what is the future of the power business and of power for America? We believe that the future holds far more than the past. The plotted curve of industry generating capability will continue to rise, becoming ever steeper in rate of growth. As in the past, the power companies will forecast the future needs of their customers and will furnish the capacity to meet these demands. America's electric power companies will continue their sales efforts and will continue to promote the idea of living better electrically. We believe that the increase in the use of electricity in the future will be even greater than in the past. This increase in use will bring more leisure and comforts to the home; it will result in an expanding industrial use of machinery to enable the people of America to produce more, and by producing more to have more.

The American people have shown confidence in the power industry in the past by investing billions of dollars of their savings in this business. We are confident in predicting that we will continue to merit this confidence and will be able to finance the expansions we foresee for the future. We have learned how to do business in a way that is pleasing to the public. We appreciate their confidence and we will do everything in our power to maintain this confidence in the future. We believe that through continued research and economic planning, we will be able to keep the price of our service low. We believe that our system of government regulation will continue to do the same effective job it is doing today. We go forward with confidence into the future.

Form Hathaway Inv. Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Hathaway Investment Corporation has been formed with offices at 900 South Pearl Street to engage in a securities business. Officers are Claude M. Hathaway, president; Charles L. Wendt, vice president; and Thomas J. Knuckles, secretary-treasurer.

Form Albanese, Kesselman

Albanese, Kesselman & Co., Inc. has been formed with offices at 79 Wall Street, New York City, to engage in a securities business.

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The Status of Atomic Power

prior to 1954. The 1954 Act, although it permits and encourages free enterprise to assume greater responsibility for the development of atomic power, does not turn the job over completely to private utilities but, in effect, requires a partnership to exist between government and free enterprise. There are those who do not like this partnership. Some of the public power advocates would like to revert to a government monopoly. There are some in private enterprise who would like to eliminate the government from the power field.

The facts of the case, however, are such that not only does the Act require a working relationship of some type between government and free enterprise, but many other considerations make it desirable to continue a cooperative partnership if we are to make maximum progress in developing the atom.

Our technical objective for developing the atom should be to obtain the lowest cost electricity at the earliest practicable date. To do this I do not believe that we should resort to either a large public power program which tends to socialize the atom or to a strictly private development. To achieve maximum progress I believe it desirable to continue and to expand the partnership between the government and free enterprise. At the same time, however, we must redouble our efforts to have free enterprise assume as much responsibility as is consistent with the state of the art. Now, let us take a look at the progress we are making.

Ore and Uranium Concentrate Production

The first essential toward a healthy atomic power industry is an adequate raw material supply. As a result of the wartime atomic project and the continuation of the military effort after the war, we have developed a uranium ore supply that is adequate not only to supply our military effort but also to supply a power development for the United States and the world. Immediately after the war many informed individuals had doubts that an ore supply could be developed adequate to make atomic power a real influence even if the technical and economic problems pertaining to the development of atomic power could be successfully solved. However, continued exploration and continued aggressive government support of the ore program have established a uranium supply that appears to be adequate for many decades to come. This adequate ore supply has been established as a result of an appropriate partnership between government and free enterprise. Government has done its part by supporting a buying program that extends through 1966.

In the United States the American prospector and the American mining industry have done such a good job that today the uranium resources of the United States appear to be adequate for our needs. The mining and milling of uranium is almost completely in the hands of free enterprise, and the industry is expanding at a tremendous rate. Ore production and uranium concentrate production more than double in 1956 as compared to 1955 and will more than double again prior to 1959. The Atomic Energy Commission predictions indicate that United States and Canada each will be producing more than 15,000 tons of U_3O_8 annually by 1959. The free world annual production will probably exceed 40,000 tons. Moreover, the price of U_3O_8 concentrates is dropping from the high point reached a few years ago. The development of this adequare ore supply in the United States exemplifies what can be done when a reasonable partnership is set up between government and private enterprise. I am confident that equally good results would not have been obtained if we had resorted to either an exclusive government ownership program or left free enterprise solely to itself without the establishment of a long range government buying program.

The next step in the development of an atomic power industry pertains to feed materials. In order to supply military needs for uranium metal and uranium hexafluoride, the United States Government has invested more than a quarter of a billion dollars in feed material plants. These plants supply our gaseous diffusion plants for production of U_{235} and our plutonium plants for the production of plutonium for weapons. The plants are government owned but operated by private industry under contract. Last year, however, the Atomic Energy Commission successful took steps to start the transfer of this function to private enterprise. As a result of competitive bidding, the Commission has contracted with a chemical company for processing approximately 5,000 tons of uranium hexafluoride a year. The response of private enterprise to this transfer of responsibility was excellent, and from all I can gather the contract price compares favorably with that in the existing government plants.

Policy for Uranium-235 Plants

The next major item which I wish to mention in the development of our atomic power industry is the uranium-235 separation plants. As a result of our wartime needs and subsequent defense requirements, the government has invested almost two and a half billion dollars in gaseous diffusion plants located at Oak Ridge, Paducah and Portsmouth. These plants not only will produce enough material for our military effort but President Eisenhower has seen fit to release some 40,000 kilograms of U_{235} for the use in production of power both here and abroad. Their capacity is so large that we do not need to consider enriched U_{235} a scarce commodity. The supply is adequate for some time to come. It is questionable how long it would have taken to get the necessary appropriations to build these tremendous plants of the motivation had ben solely commercial atomic power rather than the primary objective of meeting our defense requirements, with recognition given to the fact that at some date in the future the plants could also meet our atomic power requirements. This marriage between military objectives and peaceful application of the atom has been advantageous to both developments. It has, however, put a large and important segment of the future atomic power industry in the hands of government.

These plants are owned by the government and operated by industrial contractors. It is questionable if it would be practicable to transfer these large plants to private enterprise because of the large capital investment and because of military considerations. Hence, I think we should assume that this segment of the industry will remain under the control of the government for a considerable period of time. But, regardless of ownership, the existence of these plants is a great asset and a major stepping stone toward the development of economic, competitive atomic power. Enriched uranium has certain advantages for production of power over natural uranium, and the combination of experience and studies to date indicates that enriched uranium reactors will be more economical than natural uranium reactors.

This is particularly true if the U_{235} separation plant is located in an area where cheap electricity from conventional sources is available. Our gaseous diffusion plants were located in Tennessee, Kentucky, and Ohio because of the cheap electricity available both from TVA and private utilities in this area. In the future it will be possible to let other parts of the United States and the world derive some advantage of this cheap power by utilizing U_{235} produced in this area. Separation of U_{235} may very well bear a similar relationship to a future atomic power industry as the refining of gasoline does to the petroleum industry.

Costly Plutonium

The government has also invested more than one and a half billion dollars in reactors and separation facilities for the production of plutonium. These plants are located at Hanford and Savannah River. Although the plants are essential to our military effort they do not make the same continuing contribution as the U_{235} plants as a part in the ultimate supply system for an atomic power industry. They do contribute, however, to the industry from the standpoint of aiding in the development of reactor technology. A vast amount of experience and knowledge has been built up as a result of this plutonium production effort which gives us know-how in reactor design, remote control techniques, health and safety criteria, methods of operation of plants, and the development of special reactor materials. In addition, as a result of this great effort, we have developed in the United States engineering talent and the scientific and industrial organizations capable of designing, constructing, and operating reactors.

The reason that I stress the U_{235} plants as a continuing asset to an atomic power industry and do not include the plutonium plants is that the cost of producing U_{235} is so low as to aid in the power development, whereas plutonium produced other than as a by-product from a power industry is too costly to fit into the economic picture.

In the field of development of atomic reactors for power, a large part of our progress is due to the Navy effort to apply atomic power to the propulsion of submarines. As a result of this military objective, the Nautilus has been in operation for almost two and one half years and the prototype out at Arco for a considerably longer period. This application of atomic power has been so successful that the Navy is developing power plants for a complete atomic Navy. In fact, there are more than 30 power reactors complete or on order for the Navy. The Army has also completed its first package power plant which was placed in operation at Fort Belvoir in April of this year. The Air Force is continuing its development of an atomic powered aircraft. These three military efforts will continue to push forward the frontiers of scientific and engineering development and will assist technically in achieving economic atomic power. So much for that part of our atomic progress which is a by-product of our defense effort.

Praises Cooperative Program

Now let us look at the progress being made in commercial power development. Under the 1954 Atomic Energy Act the Atomic Energy Commission generally is operating on the principle that the government should take a most active part in the research and development aspects of reactor technology and that private enterprise should be encouraged through the Demonstration Reactor Program to take the responsibility for prototype atomic power plants. This division of effort and responsibility and the establishment of a cooperative program between government and free enterprise have been most successful in accelerating our power program. The response of private enterprise and the responsibility assumed by private enterprise in this program have been a most gratifying demonstration of the merits and boldness of our free enterprise system. I am personally convinced that it is to the best interests of the United States that this cooperative program be continued and that there be no backsliding toward the government monopoly that existed previously.

Our present program for reactor development is based on advancing on a broad front in order to insure that ultimately we will have developed the most economic type of reactors for the various applications in our over-all power program. I would like to mention briefly various types of reactors that are presently being pushed more aggressively.

Pressurized Water Reactors

The first type that I want to mention is the pressurized water reactor. The pressurized water reactor is the type for which the United States has the most experience in design, construction, and operation. The Nautilus is a pressurized water reactor and the principal part of the Navy program is now based on further development of pressurized water reactors. The world's first large scale reactor designed primarily for producing electricity will also be a pressurized water reactor. This is the reactor being built and owned by the government at Shippingport, Pa. The contractor for producing this plant is the Westinghouse Electric Corp., and the Duquesne Light Co. will operate the plant for the government. This plant should be in operation late this year.

A commercialized and more economic version of the pressurized water reactor has been contracted for by the Yankee Atomic Electric Co. with Westinghouse, design is essentially complete, and construction should start this summer. The Atomic Energy Commission is supporting this reactor with research and development funds. The Volta Edison Company of Italy has signed a letter contract for a Yankee type plant. Negotiations are also under way for several other plants of this type. The

pressurized water type of reactor is competitive with the Calder Hall type of gas cooled reactor if one uses the same type of cost analysis for both systems.

Another version of the pressurized water reactor is being constructed in the vicinity of New York City. The Consolidated Edison Co. will finance and own this plant and has contracted with Babcock and Wilcox Co. for the atomic reactor. There is no government assistance for this project. Likewise, the reactor to be provided by the Babcock and Wilcox Co. for our first maritime propulsion plant will be a pressurized water reactor. The Army Package Power Plant at Fort Belvoir is also a pressurized water reactor.

Although there are many concepts for reactor design that appear at this stage of their development to have economic advantages over the pressurized water system, the fact that so many pressurized water reactors are being built will tend to keep this type in competition for the foreseeable future. Costs will be reduced through engineering improvements, cheaper production techniques, and savings as a result of repetitive production. In addition, the number of reactors available will permit more rapid development of better fuel rod assemblies which should lead to longer life of core and greater burn-up. Experience and proven reliability will also permit more rapid extrapolation in size, and this is particularly important because increased size offers one of the greatest opportunities for decreased costs.

There is every reason to believe that within the next two years it should be possible to start construction of a pressurized water plant in the order of two to four hundred thousand kilowatts that should be truly competitive with coal-fired plants in the New England area or comparable cost area. Supporting the construction of such a larger size unit is one of the challenges that face the utility industry, and must be accepted.

Other Reactors

The second type of reactor that I wish to discuss is the boiling water reactor. This type of reactor has certain potential advantages which, if they materialize, will make it worth developing to determine its competitive position. The first power plant of this type was just recently placed in operation at the Argonne National Laboratory. Commonwealth Edison Co. and associated companies are financing the construction of a large reactor of this type at Dresden, Ill., and the General Electric Co. has the contract for producing this reactor. This type of reactor and the pressured water reactor may very well tend to drift together with advantage being taken of the chief merits of each.

The third approach is the sodium graphite reactor. The Atomic Energy Division of North American Aviation, Inc., now known as Atomics International, has been engaged in a cooperative program with the government for some time for the development of the sodium graphite reactor. A reacter experiment has just recently gone critical in California. The Consumers Public Power District of Nebraska, North American Aviation, Inc., and the government will construct a large scale version of this reactor in Nebraska. This type of reactor may have better thermal efficiency because of the use of liquid sodium as a means of heat transfer.

The fourth type of reactor for which there is a large scale project under way is the fast breeder. The Power Reactor Development Co., under the leadership of Walker Cisler, has already started construction of this reactor. In fact, the steel sphere is now being erected for this reactor. I personally have advocated development of the fast breeder for many years and it is my privilege to assist Walker Cisler with the project. To my mind, this project is a necessary, bold, farsighted experiment that promises to be of most importance in the ultimate application of the atom to the world's power needs. The basic advantage of this type of reactor is that a fast breeder promises to produce more fissionable material than it consumes. Success would therefore permit available supplies of uranium and thorium in the world to meet our over-all power needs for a much longer period than if breeding is not utilized.

The fifth approach which I wish to mention is the homogeneous reactor. This type of reactor is not as far along as the four I have mentioned but has great potential for the future. Oak Ridge Natinal Laboratory is engaged in the development of this type of reactor. In addition, Foster Wheeler Co. is developing a small reactor of this type and has entered into a contract with the Wolverine Electric Cooperative of Hersey, Mich., to build and install one of these reactors. Also, the Pennsylvania Power and Light Co. and Westinghouse are working on a joint development project and hope to have a large power plant in operation in 1962.

Solving the problems of corrosion and related maintenance are difficult technical problems facing the designer and operator for this type of reactor but if these problems can be solved—and I have a great deal of optimism concerning their solution — the homogeneous reactor has possibilities of being more economic than some of the types that are presently further advanced.

As a part of the Demonstration Reactor Program the Atomic Energy Commission, in cooperation with various utilities and designers, is also presently engaged on, or is giving consideration to, several reactors and reactor experiments covering liquid metal, gas cooled, plutonium enriched, organic moderated, etc. Just recently three Florida electric power companies have proposed a large scale electricity plant using natural uranium as a fuel. Heavy water will be used as a moderator.

In the field of new types of reactors, increased emphasis must be given to the development of a reactor that can utilize plutonium. Otherwise, the government buy-back program for plutonium will be jeopardized. Such reactors are some time in the future, however, because many problems must be solved concerning the fabrication of plutonium and the effects of radiation on plutonium in reactors. Ultimately, however, it should be expected that plutonium will be used to produce power.

Chemical Reprocessing Problem

An important step in the atomic power industry is the so-called waste recovery, or fuel reprocessing. The chemical reprocessing end of atomic energy has always lagged behind other developments. There are many reasons for this, the primary one being that you cannot tackle the chemical reprocessing problem until you know what you have to reprocess. This was true in the original plutonium for weapons program and still remains true in the power program. Up until recently utilities were faced with a big gap in their cost estimates concerning the cost of reprocessing fuel for the recovery of unburned U_{235} and plutonium produced. After long and arduous consideration, the Atomic Energy Commission has finally established prices for such fuel reprocessing. The Commission faced policy difficulties in establishing these prices because if they were established too high they would discourage the utilities, and if they were established too low they would discourage the chemical companies from embarking on a development and construction program to take care of these wastes.

The prices etablished seem to favor the utility side of the argument, so the Commission may have some difficulty encouraging the chemical industry to pick up its responsibilities in this field. However, every effort should be made to transfer responsibility to the private chemical companies and both the utilities and the government should cooperate to make this possible. The utility industry should encourage and aid private companies to enter this field; likewise the government should help cover some of the cost differential by means of liberal research and development assistance to develop cheaper methods of processing.

No "Golden Age" Yet

One might ask—is this atomic power program adequate for our national needs? This question has been raised many times, particularly in Congress, and the answer is not an easy one. If one considers only internal economic factors for the United States, the program may be adequate. Atomic power is not cheap and when one considers the reserves of coal and oil available to the United States and the present efficiency of our thermal plants, the atom does not hold promise of any "golden age" of atomic power. In fact, atomic power does not hold out immediate prospects for competing in areas where good fossil fuel is readily available. Certainly it will be a long time before atomic power is competitive in such good coal areas as the Ohio Valley.

It is not for areas blessed with cheap power that we should be in a rush to develop atomic power. Atomic power will be competitive first in those areas lacking fossil fuels or good hydraulic potential. Atomic power will make it possible to more nearly level the electric power costs throughout the world. However, this should be done by knocking off the peaks pertaining to these high cost power areas rather than elevating the valleys pertaining to those areas presently blessed with good conventional sources of power. This possibility of assisting the higher cost areas of the United States and the world is due to one of the inherent advantages of atomic energy, that is, the ease and cheapness of transportation of U_{235} or other fissionable material as compared to cost of transportation of coal.

The tonnage of shipping required for coal to support a given kilowatt capacity is in the order of one million times that required for U_{235}. Stated otherwise, the cost of transporting coal is approximately one mill per kilowatthour for every 200-300 miles of railroad transportation, whereas the cost of transporting U_{235} from a cheap power area, such as the Ohio Valley, to any part of the world is an insignificant cost factor. Formerly one could speak of transporting electric power by coal car or by transmission line; soon we can add U_{235} by air cargo as a competitor.

So, for areas remote from good fuel or hydraulic sources, atomic power will first become competitive because of the excessive cost of transportation of fossil fuels or transmission losses. There are also some areas, like England and Europe, that presently have good sources of fossil fuels except that they will be inadequate to take care of rapidly expanding electricy needs in the future. Here, the governments and utilities are planning on taking advantage of atomic power to provide for the future.

In addition to savings in transportation costs, it should be recognized that the anticipated world supplies of uranium and thorium will support a much larger power industry for a much longer time than will fossil fuels or undeveloped hydraulic sites. In fact, if we did not have the possibility of atomic power, every nation, including the United States, would be seriously concerned at this time about how ultimately to meet expanding power requirements.

"Three Wise Men"

Primarily as a result of inadequate coal supplies, and the resulting anticipated increased cost of electricity due to cost of transportation of coal, England and Euratom are planning large

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The Status of Atomic Power

atomic power programs. In the Euratom report, for example, the three Wise Men state, ". . . our conclusion is that the range of costs of electricity produced by nuclear reactors of the American as well as of the British type, may be estimated at 11 to 14 mills a kilowatthour, while the cost of electricity from new conventional stations which must use imported fuel will be 11 to 12 mills a kilowatthour." The Euratom report also makes another statement that sometimes is overlooked by some of our public power proponents who are advocating a kilowatt race with Europe. Again I quote, "The average cost of electricity in America is about two-thirds of what it is in Europe, so atomic power will compete in Europe long before it can do so in the United States."

These two quotes appear to be reasonably accurate and emphasize what appears to be little understood or deliberately neglected by some critics of our atomic power program—that economic or competitive atomic power is a relative thing and must be considered in terms of what conventional power costs are for any particular region. The Euratom program should assist the United States in its efforts to achieve competitive atomic power for our own use. As indicated by the three Wise Men in their report, our pressurized water reactors and boiling water reactors are ready for commercial use. If a reasonably large number of these reactors can be sold abroad, this volume production and experience will do much toward cutting costs for the future. Every effort should be made by our government and by our equipment suppliers to find ways and means to compete in this international market. Again, a good working relationship between government and industry is necessary to meet this opportunity.

Summary

To summarize the situation, one might state that atomic power is rapidly becoming competitive in Europe, England, and other high cost areas of the world, and at a somewhat later date will become competitive in those high cost areas of the United States not blessed with good fossil fuels or hydraulic potential. From a political point of view there is a demand to accelerate further the development of atomic energy beyond that strictly dictated by United States economic considerations. The strength of this movement derives from those who would like to promote a public power program and from those who feel that from an international point of view we must maintain our leadership for prestige purposes, or as a part of our over-all economic aid program we must assist Europe and other friends in achieving economic atomic power. Also, from the point of view of those in the high cost areas of the United States, such as New England, there is the possibility of even higher costs for transporting fossil fuels. For these areas if atomic power is not developed more rapidly, conventional power costs may increase and further increase the differential and the advantage of those parts of the United States having cheaper power.

As a result of all these factors, I believe the development of atomic power probably will be further accelerated in the United States by one means or another. Therefore, what should be the position of the utilities in this acceleration? The answer is obvious—the utilities must maintain vigorous leadership in further acceleration of the program. The reasons I advocate this are: first and primary, that it is good business to anticipate a new development and be in a position to understand it and properly exploit it when it materializes. Second, it is only by doing, that we can develop engineering improvements, acquire new production techniques, and determine the economic results from increasing the size of our present reactors. Third, atomic power will be competitive in the United States in the higher cost areas within the next decade and it is necessary for the utilities to determine for themselves the true economic limits of this new source of power, and its proper relationship to coal, oil, and hydraulic sources. This vigorous leadership is necessary if we are to continue to have free enterprise bear the major responsibility for the electric power industry.

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Let's Face It: Business Men Are Helping Undermine Private Power

under oath regarding the erroneous claims of these witnesses.

Sees No Political Expense

The theory upon which this move to gag and intimidate our industry is predicated, is that expenses incurred in publicizing the true facts regarding government and investor-owned power is not a business but a political expense. This overlooks the fact that our companies are service organizations and that if we are to survive and effectively build and maintain our markets we must convince the public of the efficiency and economy not alone of electricity but of electric service by business-managed organizations as compared with our government-financed and government-operated *competitors*. For they are our competitors, not only for existing and future electric markets, but for the support and acceptance of the American people as well. We cannot let their false claims of greater customer devotion and cheaper power go unchallenged or we will be destroyed. If we cannot tell the truth about public power and its hidden subsidies, then we cannot do any real promotional or public relations advertising at all!

In a way, this effort to "gag" us is heartening—for it is a confession on the part of the government power exponents that they cannot peddle their anti-utility poison to an informed and alert citizenry. This confirms what every opinion poll has shown, namely, that the growth of government power has been due to misunderstanding and ignorance and politically-fostered confusion and that, wherever the people have been correctly informed, they have rejected this first long step toward socialization of the American economy.

Support of Press

It is also heartening that newspapers—many of them previously friendly to government power—have denounced this latest effort for what it is, namely, an unconscionable and un-American effort to suppress and silence our industry. Surely you and I, as employees of a great industry, will be no less forthright than they.

In closing, I can do no better than to repeat again what Leonard Read, President of the Foundation for Economic Education, has said, namely, that "It is not enough for us to be *against* so-called public ownership. Nor is it enough to be *for* private ownership—every last one of us can and should make the effort, not half-heartedly, not as an off-hour exercise, but as an integral part of our every word and deed (to explain and support private enterprise). Nothing less is at stake than the fulfillment of our personal obligations as business stewards."

This fight will not be an easy one. We will be subjected to every form of harassment that our ingenious adversaries can imagine. But that is unimportant as compared with the satisfaction we will have in knowing we have done our part to preserve the American way of life as we have known it in the past and as we hope it will be in the future.

Columbia Gas System Debentures Offered

Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. and associates on June 7 offered $20,000,000 of 5½% debentures, series H, due June 1, 1982 of Columbia Gas System, Inc., at 101.363% and accrued interest, to yield 5.40%. Award of the debentures was won by the group at competitive sale June 6 on a bid of 100.319%.

A sinking fund will be provided to retire $14,030,000 (approximately 70%) of the new debentures prior to maturity. Regular redemptions may be made at prices receding from 106.863% to par, while sinking fund redemptions may be made at prices ranging from 101.35% to par.

Net proceeds from the sale of the debentures, together with other funds will be applied to the financing of the 1957 construction program of the corporation's subsidiaries. This construction program for 1957 is estimated to require expenditures of approximately $84,000,000, exclusive of approximately $3,000,000 estimated for portion of hydrocarbon extraction plant. In addition, the corporation proposed to advance $6,000,000 to Gulf Interstate Gas Co. (non-affiliated). This advance, together with $30,000,000 obtained or to be obtained by Gulf Interstate from other sources, will permit that company to enlarge the capacity of its transmission system and thereby deliver additional quantities of gas which the System has under contract in southern Louisiana.

Columbia Gas System, Inc. is an interconnected natural gas system composed of the corporation, 13 operating subsidiaries and a subsidiary service company. The operating subsidiaries are engaged in the production, purchase, storage, transmission and distribution of natural gas. Retail natural gas operations are conducted in the States of Ohio, Pennsylvania, West Virginia, Kentucky, New York, Maryland and Virginia. In addition, the system has an extensive wholesale business, selling natural gas to non-affiliated public utility companies for resale to their customers. The system sells gas at retail to approximately 1,345,000 residential, commercial and industrial customers. Approximately 70% of the retail customers are located in communities having populations of fewer than 50,000.

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The Uneconomics of Public Power And Hoover Commission Views

course is reflected in the inadequacy of the rates charged for the energy sold.

Other Federal projects are similarly deficient in rates adequate to cover the equivalent of taxes, and interest on the invested capital. The Task Force prepared an estimate showing these deficiencies to 1953, which fall on the taxpayers generally, amounted to a third of a billion dollars.

TVA Recommendation

It is often said that the Hoover Commission has recommended that TVA be abolished. This is not so. The Commission **has** recommended, however, "that the Congress empower and direct the Federal Power Commission to fix the rates on government power sales at such a level as will (a) eliminate the inequities now imposed upon the great majority of the people; (b) amortize and pay interest on the Federal investment in power, plus an amount which will equal Federal exemption based upon the Federal taxes paid by the private utilities; and (c) provide payments in lieu of full taxes to the State and local government equivalent to those the private utilities would pay." In the meantime, until these matters are finally resolved, further expansion of the TVA territory of operations should be prohibited.

The Federal Power Commission is authorized to issue licenses for a period not exceeding 50 years, at the termination of which the United States may under certain conditions take over and operate the projects. Investor-owned utilities are regulated by FPC as to rates, adequacy of service, accounting procedures and profits on electric energy supplied in interstate commerce. All interstate rates are subject to review and change in the public interest at any time by the FPC. The Commission has no similar jurisdiction over Federal agencies, and no authority to require compliance by them. At present, allocation of costs and rates for the sale of power from the Bureau of Reclamation projects, are approved by the Secretary of the Interior; and from Corps of Engineers projects, by the Federal Power Commission. The TVA fixes its own rates.

The TVA sells power wholesale, and not retail. Prior to its establishment, the law provided that municipalities wanting power for municipal purposes constituted preference customers for any Federal agency generating electric power; but the TVA Act provided that cooperatives also would be preference customers. These preference customers are Federally tax-free. Such customers would be responsible for the local distributing lines. The TVA, the Department of the Interior and other agencies have stimulated the organization of cooperatives for the purpose of establishing a tax-free channel from generator to consumer, and thus selling the power more cheaply. Twenty-year contracts were entered into with these preference customers by the TVA for exclusive purchase from the Federal agency.

A word about these cooperatives is in order. If certain citizens purchase their power needs from an investor-owned utility, they must pay rates to cover the taxes that the utility must pay — Federal, State, and local. If they now form a cooperative, which pays no taxes on its own operation, they pay a lower rate because they avoid payment of a tax component in that rate. Why should some citizens be excused from paying their fair share of the cost of their government, while other citizens are charged more than **their** share to meet the total bill?

Sale to the preferred customers is wholesale. They in turn sell to domestic, commercial and industrial consumers. The largest block of power to consumers who benefit by the subsidized power supplied by the TVA goes to business and industry — not the home-owners.

If we take all of the domestic users' bills for the entire country, most of which is at present furnished by investor-owned utilities, we have a total annual bill of about half that paid for tobacco. The price per kilowatthour furnished by the utilities for residential service has been decreasing steadily in spite of inflation and of increased costs of labor, fuel and equipment. In 1902 it cost on the average, 16.2 cents; in 1932, 5.6 cents; and in 1954, 2.69 cents. Yet this small sum is the component that many politicians use as a basis for their claim that the citizens are being unfairly charged for their lighting. They smoothly pass over the customers that get most of the benefit.

Who Pays for TVA Costs?

The Task Force summarized the costs of all Federally financed power projects built, building and authorized as of June 30, 1953, at $9,663 million. It is not possible to make an accurate distribution of this huge cost among the taxpayers. However, to get an approximate indication of how this cost is shared, one may divide it up among the States in proportion to the Federal taxes paid in 1953 in each State. The share paid by the people of New York State, for example, is $1,775 million, with no Federal power, while that for Tennessee is $73 million, with nearly all its power generated by the TVA. This means that the taxpayers of New York State paid about $410 per average family, and got no power in return, while in Tennessee they paid only $75 per family and got the benefits of the power paid for by the other taxpayers.

There are 19 states that will receive no power from the plants built, building or authorized, but which have paid, or will pay, 61% of the cost of the program if it is allowed to be carried out. The people of many States are actually being obliged to pay money into the Federal Treasury that will be used to take their business and prosperity away from them. Such an anomalous situation results when the Federal Government competes in business with its own taxpayers.

Politicians and pressure groups, bent on an apparent drive to nationalize the power industry, or to obtain special privileges for their constituents at the expense of all the Nation, are against Federal licensing of private capital to be spent for development of water-power resources. For example, they fought the licensing by FPC of the Hell's Canyon Project, preferring instead that the Federal Government pay out over twice the sum and recover only 2% more power capacity.

Unfortunately, we have had men elected whose activities consisted largely of selfishly obtaining special benefits for their constituents at the expense of all the people, and who have used such gained benefits as a justification for keeping themselves in office. The electorate themselves are responsible for this prostitution of public trust, by adopting the attitude that it is right that they should get from the public treasury all

they can for themselves. Ethics of the citizens, like charity, begins at home.

It must be evident from the foregoing that with the large number of agencies of the Federal Government involved, there is overlapping responsibility, competition between agencies, competition with—and in some areas replacement of — private enterprise, and an inequitable use of the taxpayers' money. There is lack of consistent policy as between the functions of the agencies involved. Likewise, in the competitive and politically-charged atmosphere of bureaucratic operation, there is a grave threat to arrival at sound solutions to the many urgent problems respecting water resources that beset our Nation, in which the **right** decision rather than the most **politically expedient** decision must be made. Two things are thus needed: (1) a sound and continuing, nonpolitical national policy respecting water use, and the Federal Government's role therein, and (2) adequate machinery to aid the President to make affective this determined policy.

Views Parallel the President's

An analysis of the Commission's recommendations shows that they support to a remarkable degree the policies stated from time to time by the President, clearly showing the intent on his part likewise to establish non-political decisions in the equitable interest of all the people.

The Commission recommended that:

"Water resources should be developed to assure their optimum use and their maximum contribution to the national economic growth, strength, and general welfare."

On this point the President has said:[1]

"If we are to continue to advance agriculturally and industrially, we must make the best use of every drop of water which falls on our soil or which can be extracted from the ocean. . . ."

There is no reason why the Federal Government should be the **sole** developer of our water resources. Historically, it did not attempt such a role until within the last quarter-century. The Hoover Commission recommends for this and other developments of water resources and power:

"That the Federal Government should assume responsibility when participation or initiation is necessary to further or safeguard the national interest or to accomplish broad national objectives, where projects, because of their size or complexity or potential multiple purpose or benefits, are beyond the means or the needs of local or private enterprise. Under other circumstances the responsibility for development should be discharged by State or local governments, or by local organizations, or by private enterprise."

On this point the President has said:[2]

"It is not properly a Federal responsibility to try to supply all the power needs of our people. The Federal Government should no more attempt to do so than it should assume responsibility for supplying all their drinking water, their food, their housing and their transportation. To attempt such a centralization of authority and responsibility always starts a deadly cycle. Yet, there are some who contend that the development and distribution of hydroelectric power is exclusively the responsibility of the Federal Government. They argue that to permit any State or local government or any private company under governmental regulation to develop such a power capacity, is to give a special group an asset belonging to all the nation. Last year, for example, State and local governments were invited to cooperate in power generation without the threat of Federal power control. During this brief period numerous local public agencies and private investors have applied for licenses to build hydroelectric plants."

In respect to the power component of new multiple - purpose projects, the Commission made the following recommendations:

(a) "That private enterprise be offered the opportunity of provide the capital for the electrical component of multiple-purpose dams and dispose of the power through their own systems (they being subject to regulation of rates by Federal and State authorities), but the management of the dams should remain in the Federal Government.

(b) "That if such capital be not available, the power should be offered for sale to the private utilities, the States, or the municipalities and cooperatives prior to construction, on terms that will protect the Federal interest."

The President has said:[3]

"Parenthetically, may I remark that a region which lets itself become completely dependent upon national funds provided by a Congress—which Congress represents not that region alone but the whole Nation — frequently finds that the funds fail to keep pace with local needs. But the important thing is that as Federal power expands in a region, local enterprise becomes increasingly intimidated and discouraged, even though the needs for energy continue to grow. Thus still more Federal intervention becomes necessary, such a conversion of local regions into Federal satellites poses a threat deadly to our liberties. The Administration in Washington—and the present leadership in Congress (before the last election) — are unalterably opposed to such malignant growth of bureaucracy.

"These believers in centralization fail to warn us that monopoly is exercised by Government. Curiously enough, they proclaim their fear of a private power monopoly in a country, city or State, but urge upon us all a gigantic, overwhelming, Nation-wide power monopoly. But, of course, they also see themselves as the all-wise directors of that monopoly—so all would be well."

The President also stated:

"The Federal Government should develop hydroelectric power in partnership with State, local and private enterprise."

In 1954 he had said:[4]

"Now, of course, the Federal Government must shoulder its own partnership obligations by undertaking projects of such complexity and size that their success requires Federal development."

And at another time he stated:

"To the maximum extent possible, local agencies should be encouraged to construct water resources facilities."

The Commission believed that the Federal agencies should maintain relations with the States on the following basis:

"That in participating in water resources and power development, the Federal Government without waiving its constitutional rights should take account of the rights and laws of the separate States concerning appropriation, use, control, and development of waters within their boundaries."

On this subject, the President has said:

"The Government must work more closely with the States, localities and private citizens in arriving at solutions to clearly-established economic needs, and the methods for meeting such needs should be based upon sound practices.

"The Federal Government should recognize the common interest of the Nation, the States, localities and private citizens in water resources activity."

Referring to the extensive program of the TVA to build large steam-electric power plants, and the consequent embarkation into the utility field, the Commission recommended:

"That the Government or its agencies cease the building of steam plants and provide for the equation of their power leads by inter-connection with the grids of neighboring power systems."

Respecting the further building of steam plants by the TVA, the President said:[5]

"I believe that the project for building new plants at Federal expense — implying a purpose of continuing this process indefinitely in the future—is therefore wholly indefensible unless it should become part of a vast national plan. If this is to be national policy, it is most certainly a project that demands earnest and prayerful study. In the meantime, the citizens of that region will not be deprived of the additional power they need for the next several years. . . .

"I cannot believe that Americans, in general, disapprove of attempting to place all regions on a basis of equality in this regard. Consequently, there must either be some re-examination of any plans which would call for the Federal Government to supply all the additional power capacity that might be needed in the future in the Tennessee Valley, or logically we would have to begin plans for a gigantic power development to cover the entire nation equitably."

What will come from the broad policies put forth by the President and independently arrived at by the bi-partisan Hoover Commission as sound long-range policies? It depends on whether statesmanship prevails, and whether we as vitally interested citizens who will have to pay the huge bill, will give the kind of support that will offset the pressure groups, the seekers of handouts, and the demagogues, and allow the Congress to deal with this issue objectively and in the best interest of all the people.

1 Letter to Secretary of the Interior Douglas McKay in "Water Resources Policy"—Report by President's Advisory Committee on Water Resources Policy 12-22-55.

2, 3 McNary Dam Dedication Speech 9-13-54.

4 Annual Message to Congress.

5 Letter to Representative Sterling Cole—New York "Times" 11-11-54.

Gregory Harrington With Eastman Dillon

Gregory Harrington has joined Eastman Dillon, Union Securities & Co. as Manager of the Municipal Department of the West Coast Division of that firm.

Mr. Harrington was previously connected with the Municipal Department of Shearson, Hammill & Co. New York City, and prior thereto, operated his own firm of Gregory Harrington & Co. in the municipal business.

Mr. Harrington will be located in the Los Angeles office, 3115 Wilshire Boulevard, and will conduct a fully integrated dealer and underwriting operation on the West Coast. The Los Angeles office and other western offices are connected with the home office in New York, and offices in other key cities, by a direct wire system.

Opens Inv. Office

Janet Behrens is engaging in a securities business from offices at 240 West End Avenue, New York City. Miss Behren was previously with Bruns, Nordeman & Co.

H. J. Coyne Opens

RIDGEWOOD, N. J. — Harry J. Coyne is conducting a securities business from offices at 432 Prospect Street. He was previously with First Investors Corporation.

S. Frohlich Opens

Siegfried Frohlich is engaging in a securities business from offices at 900 West End Avenue, New York City. He was formerly with L. D. Sherman & Co.

Joins B. C. Christopher

(Special to The Financial Chronicle)

OMAHA, Neb. — Charles S. Knapp is now with B. C. Christopher & Co., Grain Exchange Building.

Municipal Bond Club To Hold Outing

The Municipal Bond Club of New York will hold its Annual Field Day Friday June 14 at the Westchester Country Club, Rye, N. Y., commemorating the 25th anniversary of the Club's founding. John C. Fitterer, Jr., of Kuhn, Loeb & Co., is general Chairman of the Silver Anniversary Outing.

W. Neal Fulkerson, Jr., of the Bankers Trust Co., retiring President of the Club, will preside at the annual business meeting at which members are expected to ratify the following slate of officers for the 1957-58 year:

For President, Charles E. Weigold, of Chas. E. Weigold & Co.; Vice-President, John W. deMilhau, of the Chase Manhattan Bank; Secretary, Henry Milner, R. S. Dickson & Co., and for Treasurer, Robert R. Krumm, of W. H. Morton & Co.

A highlight of the day will be publication of the annual lampoon of the municipal bond business — *The Daily Bond Crier*, wherein the foibles of municipal bond men are exposed to the stinging barb of satire.

Copies will be available on June 13 at Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y.

Wachob-Bender Adds

(Special to The Financial Chronicle)

OMAHA, Neb.—Leo M. Unger has been added to the staff of Wachob-Bender Corporation, 3624 Farnam Street.

Form Price, Ryan Co.

(Special to The Financial Chronicle)

MENLO PARK, Calif. — John T. Price and James E. Ryan have formed Price, Ryan & Co. with offices in the Forsythe Building to engage in a securities business. Both were formerly with Dean Witter & Co.

Bertner Bros. Open

Bertner Bros. Securities Corp. is conducting a securities business from offices in the Empire State Building, New York City.

Continued from page 18

Reshaping Our Financial System

Commission believes that the Reserve Board should have ample authority to change the reserve percentage against demand deposits to deal with a possible emergency situation. However, the existing range of such authority, enacted 22 years ago, is much broader than can be justified under present-day conditions. A change as small as one percentage point in reserve requirements would now mean a change of about $1 billion in required reserves. Leeway of two percentage points in either direction should be ample to cope with any emergency that might arise.

(4) **Eventually reduce the reserve requirement for time deposits to 2%.** From a monetary standpoint, time deposits at commercial banks are not money but are in the same general category as mutual savings bank deposits, savings bonds and other forms of liquid personal savings. The present 5% requirement is unwarranted from the standpoint of monetary management and clearly discriminates against the savings departments of member banks in competing with other thrift institutions.

(5) **Count vault cash as reserve.** This, like other parts of the program, would presumably be accomplished gradually, counting higher percentages of vault cash as reserves in successive stages. Incidentally, this change would eliminate many in-and-out shipments of currency to and from Federal Reserve Banks.

It should be emphasized that **these five recommendations are not a collection of isolated propositions. They constitute a single integrated program. Any attempt to deal with this situation in piecemeal fashion — for example, simply by dealing with vault cash alone—would seriously jeopardize the possibility of achieving the other parts of the plan. Overall reduction in reserve requirements and thoroughgoing reform of the reserve structure are twin objectives that should be pursued simultaneously. The Commission's plan is designed to accomplish both.**

Putting the Plan into Effect

It will obviously require a number of years to put the plan into effect. **The Commission recommends that the Reserve Board should have full discretion with respect to the timing of the intermediate steps. It believes, however, that it would be well to set a tentative target date of five years, with provision that the Reserve Board have unlimited authority to extend this date by a year at a time if in its judgment such extension proves to be desirable. The adoption of such a program would condition the financial community to regard reserve reductions as normal rather than abnormal actions.**

By giving the Reserve Board this complete discretion, the implementation of the plan should not interfere in any way with monetary policy. At times, the Reserve authorities may decide to defer reserve reductions; at other times, to speed them up. When desired, they can absorb released reserves by means of open market sales of government securities. There is no reason why monetary expansion over the years should be any greater with the plan than without it.

A Bundle of Virtues

That, then, in brief, is the ABA reserves plan and the basic reasoning behind it. **From a practical standpoint, an important feature is that its benefits would be distributed almost equally among the various classes of member banks.** City banks would gain more from the lower requirement against demand deposits; country banks would benefit more from the lower requirement against time deposits and from counting vault cash as reserve.

Another virtue of the plan is its simplicity. It is easy to understand and would be easy to administer. It does not involve any break with traditional banking practices.

In short, the ABA plan meets all of the specifications. It would eliminate the inconsistencies and inequities in our existing set-up. It would permit reducing the burden of the present excessively high reserve requirements and would provide the best method of meeting the monetary and credit needs of our growing economy. It would add to the strength and flexibility of our banking system and contribute to the effectiveness of monetary policy. It would therefore be beneficial to our whole economy and would serve the broad public interest.

Other Areas Deserving Attention

Let us turn now to some other aspects of our financial system that particularly deserve attention. If an impartial monetary commission were to be established, there are, of course, literally hundreds of questions that might be placed on its agenda. Out of this welter, what might actually emerge in the way of recommendations and concrete accomplishments?

There are two broad areas in which the commission's labors might be especially fruitful. One is the matter of public policies with respect to the functions, standards, and supervision of various types of financial institutions. The other is the field of credit control.

In the first of these areas, one question is whether some changes should be made in the functions performed by various types of financial institutions. It has been suggested, for instance, that commercial banks be restricted from lending as much as they do for capital purposes. Specifically, term loans are sometimes cited as being a possible source of trouble.

What Changes Might Be Made?

This whole matter of the relationship between short term and long term credit doubtless deserves study. However, there is little evidence that the flow of bank credit into the capital market has been approaching dangerous proportions. In fact, there would seem to be some advantages in permitting bank credit to respond to changes in market demand, short term or long. Also, of course, it should be remembered that bank credit is already subject to a considerable degree of control by the Federal Reserve. Therefore, despite the nostalgia that some of us may feel at times for the classic concepts of commercial banking, the case for separating the money and capital markets does not appear to be strong enough to lead to much in the way of positive action.

Over recent decades, numerous inconsistencies have developed in public policies having to do with the chartering, regulation, and supervision of different types of financial institutions. In general, strict standards and close regulation have prevailed in the area of banking, whereas policies with respect to some other credit agencies, both private and public, have been exactly the opposite.

Thorough study of these inconsistencies might well lead to some corrective action, probably in the direction of safeguarding the public by establishing more conservative standards and more adequate supervision of savings and loan associations and credit unions. There also should be some curtailment of the activities of government credit agencies. Politically, however, this will obviously be difficult to accomplish.

Is Credit Restraint Discriminatory?

In the area of credit control, one question is whether, under present-day conditions, a policy of **general credit restraint bears with undue severity on particular segments of the economy, notably on housing and small business.** If so, should these sectors be sheltered in some way from these harsh effects?

The market for housing credit has indeed been alternately glutted and then starved in recent years. However, the chief reason for this is not Federal Reserve policy but the rigidity of the interest rates on FHA and VA mortgages which has made them alternately attractive and then unattractive in comparison with other types of investment. An impartial commission would in all probability urge freeing these rates to encourage a more even flow of credit into housing. It might also recommend the establishment of more prudent terms for these mortgages.

What about small business? There is real need, I think, for a thorough study of just how small business has been faring during this period of credit restriction. Available evidence suggest that, by and large, small business has been doing right well. The number of small concerns is at a record high, and there were more new firms established last year than in any year except 1948. The rate of failures is low; and in most lines, profits appear to be excellent. **Bank loans to small concerns are at a new peak, and so is the amount of trade credit extended to them by larger corporations.** In all probability, an objective study would show that few small businesses are suffering from inability to obtain the amount of credit they really deserve.

More Sheltering or Less?

If these appraisals of housing and small business are valid, then clearly no new devices should be used to shelter these sectors from the effects of general credit restraint. In fact, even if it could be proven that these areas have been affected more than others, it would still be hard to make a good case for the adoption of sheltering devices. The sheltering of particular users of credit would obviously discriminate against all others. This would bring about demands for more sheltering and tend to undermine the whole principle of credit restraint.

As a matter of fact, an unbiased commission would probably conclude that we have already gone too far in granting special privileges to certain groups of borrowers, chiefly through government agencies. **It is no secret that the credit policies of various Federal agencies have at times been directly in conflict with Federal Reserve policy. It is to be hoped that the commission would recommend some means of providing for better coordination of the policies of these agencies with Federal Reserve policy—not the reverse.**

More Regulation of Nonbank Credit?

What about private credit agencies other than banks? These have grown enormously in recent years and now control the great bulk of the total flow of credit. Moreover, the credit policies of many of these intermediaries are affected only very slowly and uncertainly, if at all, by Federal Reserve policy. What, if anything, should be done about this situation?

There are two possibilities: (1) selective credit controls; and (2) new forms of regulation, such as variable reserve requirements, applying to particular types of financial institutions.

In academic debate, a plausible case can be made for authorizing selective regulation, especially on a stand-by basis, over instalment lending and home mortgage credit. Both types of personal debt have skyrocketed over the past decade; and either or both might, sooner or later, cause serious economic trouble. However, **some groups are strongly opposed to these controls; and Congress is plainly reluctant to resort to them.** From a realistic standpoint, it would seem that except under emergency conditions, they will not be adopted—not, at least, until we have more convincing evidence than we have at present that they are really needed.

New Types of Control?

What about direct regulation of various types of financial institutions? Professors Gurley and Shaw, the Brookings' messiahs, tell us that claims on nonbank intermediaries differ from money only in degree, that the operations of these agencies may have unstabilizing effects upon the economy, and that they should therefore be subject to some sort of "financial control as distinct from monetary control." Now this is titillating stuff, to be sure; but is there actually enough to it to lead to new forms of control? Personally I doubt it. When these authors dramatically state that the equivalent of the Federal Reserve Act for nonbank intermediaries has yet to be created, they imply a coming that is not likely to come.

Getting down to cases, just what would you do to whom? **The largest of the nonbank intermediaries, the insurance companies, have been behaving themselves like nuns. It is hard to see much excuse for subjecting them to more regulation, what form it would take, or what it could accomplish.**

As for sales finance companies, a study commission might conceivably come up with a recommendation for divorcing them from manufacturing concerns. If so, it is anyone's guess as to whether this might actually come about.

As for instituting variable reserve requirements for certain types of nonbanks, this seems very unlikely. Many believe we should use this device less rather than more.

These items add up to the net conclusion that in the area of credit management, an impartial commission would recommend continuation of the present policy of placing primary emphasis on overall, quantitative measures, rather than on sheltering devices or on other types of regulation.

Limitations of Monetary Policy

At the same time, however, it is to be hoped that the commission would emphasize the **limitations of Federal Reserve policy under modern conditions.** Although monetary policy is indispensable, we could get into serious trouble by relying on it too heavily.

For one thing, since the monetary authorities are not wizards, they are bound to make mistakes. They must continually decide not merely which way to lean but just how hard to lean under constantly changing conditions. Since this inevitably involves an element of forecasting and since our measurements of the effects of credit policy are so inexact, we cannot expect the Federal Reserve's batting average to be anything like 1,000%.

In recent years, this problem has been compounded by the increased importance of nonbank credit agencies. Granting that most nonbank credit may eventually be influenced by monetary policy, the time lags involved are a serious matter. **Even if the Federal Reserve authorities should always be fortunate enough to reverse their gears promptly with each reversal in the trend of business, many of the economic effects of their actions would continue to operate in the wrong direction for a long time after policy had been changed in Washington.**

Another inherent limitation of credit policy is that its influence is usually restricted to a relatively small fraction of total spending. Its effects may therefore be completely overshadowed at times by other factors, including, in particular, industrial wage and price policies. Over the past year, despite the Federal Reserve's efforts, the value of the consumer's dollar has depreciated by 4%.

Some people have the notion that the Federal Reserve could stop the wage-price spiral simply by refusing to create the money needed to finance it. In a dream world, yes; in the real world, no. To halt a strong wage-price spiral, monetary restraint might have to be pushed to a dangerous extreme, much tighter than at present. Such a drastic policy might bring on a serious recession. It might also arouse so much opposition as to jeopardize the independence, or semi-independence, of the Federal Reserve System. So, it will not happen.

The number one economic problem of this decade is how we can live with prosperity without inflation, and this cannot be solved by credit policy alone. A monetary commission would render real service if it would focus public attention on the basic elements of this vital problem.

The Problem of Public Tolerance

It is axiomatic that credit control can survive and be effective only if it is tolerated by the public. In recent years, this problem has assumed completely new dimensions because so many millions of people who know so little about monetary policy have now become users of credit. Some politicians and pressure groups have been quick to see the possibilities of making hay for themselves by attacking so-called tight money.

Today, in fact, the danger exists that monetary policy may become a permanent partisan issue in American politics. This could lead to the destruction of this essential bulwark against inflation.

It is to be hoped that the labors of a monetary commission would help to educate the public with respect to the functioning of monetary policy and the importance of tolerating its disciplines. **If the limits of public tolerance to monetary policy can be widened, its potential usefulness can be enhanced.**

In concluding, let me emphasize that here is obviously a task that we cannot afford to leave to a monetary commission, especially one that does not exist. **Bankers and teachers of money and banking, along with Federal Reserve officials, clearly have unique responsibilities to contribute to a better understanding of monetary policy on the part of the public. As might be true of a monetary commission, this may be the most significant contribution that we can make to the future welfare of the American people.**

With S. E. Dunn Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Marguerite K. Dunn is now with S. E. Dunn & Company, 500 Griswold Street.

Form Lobo & Co.

Lobo & Co. has been formed with offices at 99 Wall Street, New York City to engage in a securities business. Gustavo Lobo, Jr. and William R. Coles are general partners and Mario Montoro a limited partner.

Continued from first page

As We See It

erential treatment from the acquired corporation. All that is required, if this case is to be our guide, is that some court in some future year be persuaded that a 'reasonable probability' then exists that an advantage over competitors in a narrowly construed market may be obtained as a result of the stock interest.

"Thus, over 40 years after the enactment of the Clayton Act, it now becomes apparent for the first time that Section 7 has been a sleeping giant all along. Every corporation which has acquired a stock interest in another corporation after the enactment of the Clayton Act in 1914, and which has had business dealings with that corporation, is exposed, retroactively, to the bite of the newly discovered teeth of Section 7."

Adding to the uncertainty that is thus created for the practical business man is the fact that the majority of this decision is a minority of the full Court—since three members of the tribunal took no part in the decision. It could well be that another case of substantially the same sort would find a majority of the Court arriving at a contrary decision, although, of course, the mere fact that the Court has now officially ruled in this way in this instance raises doubt as to whether it would very readily make any drastic alteration in its general reasoning in future cases, at least in those that come to its attention in the early future.

Always Troublesome

These anti-trust statutes, ever since the first of them went to the statute books late in the 19th century, have regularly been a source of uncertainty and anxiety to the business community. Time and time and time again the highest Court of the land has come forward with interpretations of these statutes which were not and could not be foreseen by the ablest lawyers. Nor can the layman—or for that matter the lawyers specializing in this branch of the law—always find a continuing thread of reasoning running through a great many of these decisions. What these laws mean in a practical sense at any particular point in time will apparently remain a mystery in a very substantial part. The many consent decrees that fill the record of such cases do nothing to clarify the situation, either.

But it is not only the anti-trust laws which have given this sort of torment to practical business since the middle 'Thirties. Judicial acceptance of law after law which earlier would have been universally regarded as repugnant to our constitution has marked the years since the New Deal got into full swing and turned popular thought away from the traditions of this country. The concept of interstate commerce has been broadened to the point where it is difficult to find much of anything that is not now to be included in it. So far has the Court come that it is difficult to realize that less than 25 years ago it was taken for granted, for example, that the operations of the stock exchanges and the business of stock exchange firms were not subject to the commerce clause of the constitution. Yet such is the fact.

It was no longer ago than 1933 that a group of leading lawyers expressed the following opinion after the most careful study of the facts and of court decisions:

"From the analysis of the businesses of stock exchanges and stock exchange firms heretofore given, they would appear to be primarily local in character and to have no effect on or close and inseparable relation to matters of interstate commerce sufficient to justify their regulation as incidental to or directly affecting interstate commerce. Some interstate commerce acts may be incidental to a part of the business of stock exchange firms but the distinction is that such interstate commerce acts are only incidental to the business of the stock exchange firms. In order to bring the stock exchange firms under Federal control through the commerce clause (under the cases above referred to) the stock exchange business itself would have to be incidental and closely related to the furtherance and development of interstate commerce. This is quite different from merely having some act in interstate commerce incidental to it."

Meanwhile the highest Court has converted the so-called gold clauses in contracts into mere scraps of paper. It has broadened the scope of interstate commerce to include not only such things as security trading and distribution, but the insurance business, and the Lord knows how many other types of business always heretofore regarded as purely local in character. And Congress has enacted law after law regulating and controlling various phases of business operations in a degree and in a way quite repugnant to the traditions of this free country of ours. With such facts as these before us, it is difficult to believe that this most recent decision of the Court in the du Pont-General Motors case will not—if it or the principles it embodies are upheld in future decisions—have far-reaching and most undesirable consequences.

Where Is It All Leading?

Where is all this leading? Neither the leading political parties nor the great rank and file of the people appear to have much idea or to give the matter very careful thought. After all, we made enormous strides through a century and a half under a system really our own. That system is steadily and, at times we are afraid, rather rapidly vanishing from this country if not from the world in favor of systems which historically have not been able to come near competing with us. Along with this new order of things comes an increasing disposition to depend upon government for much that the individual should provide for himself and a marked tendency to attack those who have been successful and to try to take away from them that which they have acquired.

Only in this setting is it possible to understand this latest decision of the Supreme Court or to appraise its probable consequences.

Halsey, Stuart Group Offers Met. Ed. Bonds

Halsey, Stuart & Co. Inc. on June 11 headed a group which offered $19,000,000 of Metropolitan Edison Co. first mortgage bonds, 4⅞% series due June 1, 1987 at 101.50% and accrued interest. Award of the bonds was won by the underwriters at competitive sale June 10 on a bid of 100.57%.

Net proceeds from the sale of the bonds will be used by the company for its 1957 construction program and to repay short-term bank loans.

Metropolitan Edison Co. renders electric service to all or portions of four cities, 90 boroughs and 154 townships in eastern and central Pennsylvania. The company also supplies steam for heating to portions of York and Easton, Pa. Metropolitan Edison is a subsidiary of General Public Utilities Corp.

The bonds will be redeemable at regular redemption prices ranging from 106.00% to par, and at special redemption prices ranging from 101.50% to par, plus accrued interest in each case.

H. Munro Gere Opens

SYRACUSE, N. Y. — H. Munro Gere is engaging in a securities business from offices at 220 Parsons Drive.

David Handel Opens

BROOKLYN, N. Y. — David Handel has opened offices at 520 Newport Street to conduct a securities business.

Mutual Fund Service

UNIONDALE, N. Y. — Arthur Deutsch has formed Mutual Fund Advisory Service with offices at 926 Ditmas Avenue to engage in a securities business.

Singer & Freidlander

Singer & Freidlander, Inc. is conducting a securities business from offices at 52 Wall Street, New York City.

Can They Still Do It?

"A Syracuse man who was forced to leave school as a youngster because of financial problems has established a $1,000,000 scholarship fund for needy students at Syracuse University.

"Gregory Banos, a restaurant owner and former hotel proprietor, has signed an agreement pledging payment of the fund, William P. Tolley, chancellor of the University, said.

"Mr. Banos, who left school while in his native Greece to support his widowed mother, said it was his way of expressing his gratitude to the United States for the opportunities he had enjoyed."—An associated press dispatch from Syracuse, New York, appearing in the New York "Times."

We wonder in how many other countries this sort of thing could have happened very often during the past half-century.

We also wonder how often such a thing is likely to happen in this country during the next half-century! Or has been in process during the past quarter-century!

Forms Staaten Investors

STATEN ISLAND, N. Y.—Irving Zahler is engaging in a securities business from offices at 291 Alter Avenue under the firm name of Staaten Investors Co.

With F. I. duPont

(Special to The Financial Chronicle)

CHICAGO, Ill.—Peter H. Cummings, Jr. has become associated with Francis I. du Pont & Co., 208 South La Salle Street, as a registered representative. He was previously with Bache & Co.

Join Allen Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Melvin B. Stones, William H. Leonhart and John Gray are now affiliated with Allen Investment Company, Mile High Center.

G. H. Thomas Opens

(Special to The Financial Chronicle)

LIMESTONE, Maine — George H. Thomas is engaging in a securities business from offices at 262 Foulois Drive.

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What's Ahead for Housing: Surplus or Shortage?

takes place in age groups that are either too young or too old to be factors in household formation. Nonetheless, population growth does eventually result in a corresponding need for housing, and a large part of this need shows up right away. And in terms of absolute numbers, *our population growth has never been greater than it is right now.*

The total demand for housing, and the demand for new housing, especially, are influenced not only by the number of people, but by their incomes. As standards of living rise, so does the desire for bigger, better and newer housing. And *the real income of the average American family has never been higher than it is right now.*

Housing demand is also affected by the movement of people. There are many things that you can't take with you into the Hereafter; housing is unique in that generally speaking, you can't take it with you even in the present. Leaving aside trailers and a few local house-moving jobs, the migration of families to newly-developing areas, whether they be new regions of the country or just new suburbs, requires new houses. Americans have been traditionally restless; and *the numbers of people moving have never been greater than they are right now.*

Demand Factors

Here are three prime factors in housing demand: population growth, population movement, and the upgrading of living standards, all exerting more pressure than at any other time in our history.

But this isn't all. There is another prime factor in the demand for housing, which is overlooked often even by analysts who should know better: namely, replacement of existing housing.

Any prudent businessman pays a good deal of attention to depreciation. If he doesn't, he's very likely to wind up working for somebody else. But in housing, we seem to have developed the silly notion that depreciation doesn't exist. Perhaps we have been lulled into this idea by the fact that second-hand houses seem to be continuously going up in price, boosted partly by general inflation of the economy and partly by what can only be characterized as a persistent housing shortage.

Houses do deteriorate, physically; they also obsolesce in terms of the living values that families come to expect in newer housing. Therefore, we have a true depreciation, in real terms. A certain number of houses are removed from our total housing inventory each year for these reasons.

Houses also fall victim to a wide variety of plagues, and a further substantial number are removed from inventory every year because of the effects of fires, floods, hurricanes, extra-tropical cyclones, airplane crashes, earthquakes, settling ground, avalanches, tornados, tidal waves and termites, to mention a few.

But even this isn't all. Many a house is deliberately demolished long before it has ended its useful line. This is sometimes true in urban redevelopment programs, or in connection with new industrial or commercial building projects. In particular, highway building is a principal cause, nation-wide, of the destruction of existing housing.

Paucity of Replacement Data

There are absolutely no annual figures on the number of housing units which go off the market every year from all these causes. I have no doubt, though, that the current attrition of the housing supply is high; it probably would be no exaggeration to say that *never before in history has the volume of housing disappearance been greater than it is right now.* And with the new highway program just getting underway, the volume is likely to go up.

Now, let's try to attach a few figures to these basic demand factors. First, how many houses are disappearing? I've just said that there are absolutely no annual figures. For many years, the standard guess was that about 75,000 units were lost every year. Then, a year or so ago, the Bureau of Labor Statistics made a tentative guess, based on some of its cost-of-living surveys in a few cities, that 250,000 would be a more reasonable figure. The Census Bureau, so far as I know, has never published anything on this subject, but some officials to whom I have talked think the annual rate may well be 300,000 or even 400,000 a year.

This seems fantastically high, doesn't it? But not when you stop to look at the proper perspective. If we were actually replacing units at 300,000 a year, it would take well over a century and a half to replace our present housing stock —and as you are all well aware, most of our housing wasn't built with the intention of 150 years use. Our prudent businessman might well look on this replacement rate with horror, because it figures out at only six-tenths of one percent a year.

Anyway, to be conservative, let's say that about 300,000 units a year are required for replacement (there ought to be a lot more, of course). On top of that, we need new housing units to take care of expanding population. This can be measured in terms of net household formation. Unfortunately, we don't have any annual figures on this subject either. You may recall having heard such figures, but believe me, they don't exist. But according to the best estimates of the Census Bureau, the number of households is increasing at somewhere between 700,000 and 800,000 units a year. We are now at a low point in household formation, and the prospect is for larger increases from here on out. Moreover, families are moving from the farms to the suburbs and cities, so that the increase in non-farm households is substantially higher than the increase in total households.

Sees Million and Quarter Demand

If we take 800,000 as the annual figures for net non-farm household formation, and 300,000 as the replacement figure, we have a basic annual demand for 1,100,000 new non-farm housing starts each year.

To this, we ought to add something for the extra demand for new houses and for better houses because of population movement and rising standards of living. While again, there are absolutely no figures, it would be fairly easy to conclude that the basic annual demand for new non-farm housing starts right now is about a million and a quarter a year.

This leaves aside any consideration of the fact that the replacement rate ought to be a lot higher than it is. For 16 years, during the depression and World War II, the homebuilding industry suffered from a period of doldrums in which it failed utterly to keep up with either growing population or deteriorating housing. The result is that we have a backlog of millions of substandard buildings, many of them unfit to serve as pigsties.

If a million and a quarter is a reasonable figure for basic demand (and I suspect it is on the low side), then very obviously something is wrong with the homebuilding industry because we haven't recently been building and selling that many houses. There is considerable slippage between basic demand and what an economist might call effective demand. How come?

I think there are two main reasons for this slippage, both of them with dollar signs attached.

Housing Price Inflation

First, there's the matter of rising price tags. While the economy has been steadily inflating, building costs have inflated somewhat faster. By building costs, I mean the whole collection of costs that enter into the payments the buyer has to make on a house. Among those which have shot up sharply are construction labor and building materials, land costs, facilities and utilities, and the cost of financing the whole thing, both to the builder and the purchaser.

While inflationary pressures have been important, they aren't the only factor working to push price tags up. Houses built recently have been noticeably larger than in previous years. Partly, this may be the result of higher incomes and the desire for better housing; but partly, also, it comes from the fact that while tight money was collapsing, the lower-income government-insured housing market, conventional mortgages continued to be adequately supplied — and conventional financing, by and large, operates in a somewhat higher housing bracket.

And this isn't all. There's one more reason for higher price tags, and that's the tendency to attach more and more equipment to the houses, and also to the mortgage and the price tag. A bare-bones house can be sold considerably more cheaply than one with everything from a deep-freeze to a one month's supply of food (and 30 years to pay for it).

So, for all these reasons, price tags have been going up. In the words of a prominent homebuilder, a large segment of the home-buying public has been priced out of the market.

There's no doubt that rising prices have played a part, at least temporarily, in cutting down home-building. But far more important, I suspect, has been the effect of tight money.

Money Shortage

Over a period of many years, we have admittedly opened the market for new housing through FHA and VA insurance programs to millions of families who ordinarily couldn't dream of buying a house. There has been some criticism of this, as a matter of policy, but most people seem to think that the advantages of spreading home-ownership through the population outweigh any possible shortcomings.

In recent months, we have seen the effects of a reversal of government-insurance programs. It's true that the policies with respect to housing remain much the same, but for various reasons, mortgage money for the government-insured programs has not been available except in small quantities. In effect, the door has been closed to a large part of the potential home buying public. Having added millions of families to the potential through establishment of the government programs, we have now seen them subtracted because of lack of investment funds. And I'm very much afraid that you just can't do this sort of thing and make it stick. It would be somewhat like giving women the vote, as we did in 1920, and then taking it away from them.

The shortage of housing money is partly the result of natural economic causes and partly the result of political economy. The natural causes include an enormous demand for funds by business to construct badly needed new plant and equipment, and a similar demand by all levels of government for funds for new facilities such as schools and highways, many of them also badly needed.

On the side of political economy, we have two things: first, the failure, for political reasons, to let the rates on government-insured mortgages seek their own level in competition with other rates; and second, the policy of tight money as a device to control inflation which stems from non-monetary causes. I don't have time to develop this latter point here, but I have gone on record on several occasions with my belief that we are dealing with a wage inflation, and that attempts to treat it like an ordinary monetary inflation will result in severe economic distortions including a profit squeeze on business in general and undue discrimination against credit-dependent industries like housing. Now, let's recapitulate briefly what I've been saying at length.

First, the basic demand pressure for housing is enormous, and growing. Population growth and movement, upgrading of incomes, and removal of housing from the market could easily support an annual rate of homebuilding right now of a million and a quarter units a year.

Second, we are not building and selling housing at that rate. The slippage between basic demand and effective demand is due to high price tags and lack of mortgage money.

Therefore, a reasonable man might conclude that we are underbuilding housing.

Any good hypothesis should be subject to test, and there's a simple proof for this particular pudding.

If we are underbuilding, vacant housing should be getting scarce.

Vacancy Rate Decline

Well, it is. Just recently, the Census Bureau reported that in the past six months the available vacancy rate nation-wide has dropped from 2.8% of all housing units to 2.2%. This is a drop of half a percentage point, and if it doesn't sound like much, let me assure you that it is tremendous. First, keep in mind that the rate is close to rock bottom, and any further downward movement can only be the result of enormous pressure. Second, keep in mind that when you take point-5 from 2-point-8, you're cutting the number of vacant houses by about 18%—*in just six months.*

As I figure it, this half a point means that we absorbed, net, some 250,000 vacancies in six months. That would be an annual rate of half a million. When you consider that during this same period, we were building new houses at a rate of around a million a year, and still fell short by a rate of half a million, you can come to some startling conclusions about underbuilding. Actually, I don't think an exact mathematical relationship of this sort can be drawn, but the facts do indicate this:

Far from having a surplus of housing, we may well be heading for a severe shortage.

Now, what about the outlook?

The Outlook

First, there isn't much encouraging on the immediate horizon. Our Dodge construction contract figures haven't indicated yet that any great upturn in starts is in sight for the next couple of months. Applications for VA loans are in a dismally depressed state, although there is some slight improvement reported in FHA applications.

Second, there is likely to be some Congressional action which will have the effect of stimulating home-building, but one thing I have learned from some six years spent in Washington is that you're wasting your time if you try to forecast too far in advance just what will come out of Congress in the way of a bill. I don't know what Congress will do, but I think they will do something.

The important thing, however, is that nothing can contain, for long, the enormous pressure dammed up behind our current rate of underbuilding. Something is going to give.

There is no use just sitting back and saying that there's a shortage of home-buyers. There's a surplus of them, for housing in the right brackets and with the right financing. They've been in the market before, and they'll be back in it again.

Warns of Socialized Banking

Closing our eyes to this fact won't do us any good, and may do some harm. For instance, if I were a banker, I would be acutely aware of the possibility of expanded direct government lending programs — a form of socialized banking. As I have said, something is going to give before the tremendous demand pressure; and if something else doesn't give first, there will be a loud clamor for bigger direct lending. (It's loud enough, already.)

Leaving aside politics, and sticking strictly to economics, I think the long range future of homebuilding activity is extremely bright. We are at the low ebb of household formations now; from here on out, and especially after 1962, there will be substantial growth in population, in families and in the number of babies born. There's no reason to assume that any of the other basic demand factors will be any less strong. The tendency of house prices to go beyond their market is being corrected now, if only because the rise has been slowed while the rest of the economy inflates to catch us.

As an interesting sidelight, our contract figures for new manufacturing buildings have been declining sharply in the past several months. While this, in itself, isn't a particularly pleasant prospect, it does point to the possibility that business demand for investment in new facilities won't be as intense later this year and next year. This ill wind could blow the home-building industry considerable good, if competition for funds eases.

When will the upturn in housing activity come? Possibly it will show up in the contract figures for the next couple of months; it's more likely that it will happen in the second half of 1957. In any case, I don't see how 1958 can avoid being better.

Nathan Thumin Opens

LAURELTON, N. Y. — Nathan Thumin is engaging in a securities business from offices at 133-09 Francis Lewis Boulevard.

Opens Inv. Office

FRANKFORD, N. Y. — Lillian L. Wiltse is engaging in a securities business from offices at 111 West Main Street.

Jerome Wishner Opens

LITTLE NECK, N. Y. — Jerome Wishner is conducting a securities business from offices at 58-29 251st Street.

M. B. Marshall Opens

DALLAS, Tex.—M. B. Maxwell is engaged in a securities business from offices at 3318 Daniels.

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World Supply—Lead and Zinc

production. The copper circuit was put in operation in January and the lead-zinc circuit a few weeks later. The latter at capacity operation will produce approximately 24,000 tons of recoverable zinc and 12,000 tons of recoverable lead annually. Shipments of concentrates probably will await completion of the 22-mile railway later this year.

New Brunswick Mining & Smelting Co. continues to develop its property and work toward an economic solution of the complex metallurgy involved. It is understood that programing of production will be undertaken shortly.

At present the New Brunswick area reserves, totally unknown five years ago, are estimated to contain 7,000,000 tons of zinc and 2,800,000 tons of lead, plus substantial quantities of copper and silver in the 128,000,000 tons of ore indicated, largely within the 1,000 feet nearest the surface.

In Ontario, Geco Mines, Ltd., Inc., has virtually completed its 3,300-ton mill at Manitouwadge which will this summer be treating ore containing 3.5% zinc and 1.7% copper. The annual yield of the mill is expected to approximate 25,000 tons of zinc. In the same area, Willroy Mines, Ltd., has completed its Willroy mine shaft and is going forward with mine development and construction of a 1,000-ton-per-day mill that is scheduled for production by the end of this year. The reserves are large and contain 1.1% copper and about 6% zinc. The annual recoverable output of the mill should approximate 12,500 tons of zinc.

In Northern Manitoba, Hudson Bay Mining & Smelting Co. is sinking a development shaft at its Chisel Lake zinc property in the Snow Lake area, where major discoveries of zinc and copper have been reported.

The development of the Pine Point Mines, Ltd., property in the Northwest Territories has continued, and it now appears that reserves are about 100,000,000 tons containing about 2,000,000 tons of lead and over twice that quantity of zinc. The remoteness of the property prevents immediate production, but unquestionably when transportation facilities become available, this area will become productive.

Germany and Belgium

Except for periods during World War I and II Belgium has always played an important role in the international zinc and lead scene. Although there are some lead-zinc deposits in Belgium, all metal produced at present is derived from imported ores. Based on the current rate of slab-zinc output (which is about 21,300 short tons a month), it seems reasonable to assume that Belgian smelters will produce approximately 256,000 short tons of metal in 1957. The production of electrolytic zinc in the Belgian Congo, which began in June 1953, has reduced the quantity of Congo concentrates going to Belgium for treatment. But Belgian smelters have made up this deficit by treating greater tonnages of concentrates from Europe and elsewhere in the world. Zinc concentrates currently being smelted include some from Spain, Sweden, Australia, and Greenland. Greenland made its first commercial production of zinc and lead concentrates in 1956. The estimated production of lead in Belgium in 1957 will be about 110,000 tons, virtually the same as in 1956.

World Smelter Production of Slab Zinc in 1946, 1951, 1956 & 1957
(in short tons)

COUNTRY	1946	1951	1956 (Estimate)	1957 (Estimate)
Argentina	2,000	11,716	14,000	16,000
Australia	85,473	86,251	117,000	118,000
Belgium	87,427	221,439	250,000	256,000
Belgian Congo	-----	-----	41,000	41,000
Canada	185,680	218,578	256,000	255,000
France	34,187	82,185	124,000	125,000
Germany (West)	16,375	155,029	205,000	215,000
Italy	17,313	52,259	81,000	85,000
Japan	12,404	62,104	155,000	155,000
Mexico	46,277	64,761	62,000	62,000
Netherlands	2,217	24,918	32,000	33,000
Northern Rhodesia	19,253	25,301	32,000	32,000
Norway	33,300	45,002	53,000	56,000
Peru	1,032	959	10,000	35,000
Poland	62,406	125,000	172,000	170,000
Spain	19,365	23,529	25,000	26,000
U.S.S.R.	99,207	182,000	330,000	330,000
United Kingdom	73,379	78,100	91,000	90,000
United States	728,251	881,633	995,000	1,000,000
Yugoslavia	3,495	14,576	15,000	16,000
*Other	5,359	4,660	22,000	25,000
	1,534,400	2,360,000	3,082,000	3,141,000

*Czechoslovakia, Rumania, and China.

World Smelter Production of Lead* in 1946, 1951, 1956 & 1957
(in short tons)

COUNTRY	1946	1951	1956 (Estimate)	1957 (Estimate)
Argentina	17,846	26,167	20,000	22,000
Australia	153,953	221,346	†263,000	260,000
Austria	4,934	12,287	11,000	12,000
Belgium	26,193	80,271	113,000	110,000
Burma	-----	5,474	16,000	16,000
Canada	165,742	162,712	148,000	156,000
China	15	5,500	19,000	19,000
France	35,285	53,970	70,000	70,000
French Morocco	-----	24,606	31,000	30,000
Germany:				
East	30,489	18,500	33,000	33,000
West		83,845	128,000	130,000
Italy	15,729	40,212	43,000	45,000
Japan	4,444	11,839	40,000	40,000
Mexico	151,833	241,524	214,000	220,000
Northern Rhodesia	9,227	15,646	17,000	18,000
Peru	40,210	48,774	62,000	66,000
Poland	12,032	20,000	24,000	24,000
Rumania	3,555	9,900	12,000	12,000
Spain	35,655	49,285	65,000	65,000
Sweden	12,371	10,259	23,000	23,000
Tunisia	8,265	25,250	27,000	27,000
U.S.S.R.	52,910	141,500	255,000	255,000
United Kingdom	2,800	4,583	7,000	7,000
United States	338,094	414,628	542,000	550,000
Yugoslavia	35,935	66,214	83,000	83,000
‡Other	7,583	15,708	35,000	35,000
	1,165,100	1,810,000	2,301,000	2,328,000

*Output from scrap excluded wherever possible. †Excludes bullion exported, probably 3,000 tons. ‡Brazil, Bulgaria, Czechoslovakia, Greece, Guatemala, Hungary, India, Korea, Netherlands, Portugal.

Germany and Belgium together produced over half of the zinc metal smelted in Europe, plus a substantial portion of lead. In Germany about 70% of the concentrates smelted are of domestic origin. Imported concentrates come principally from Peru, Sweden, Italy, Yugoslavia, and Spain. Production continues to be maintained at a high level at zinc-lead mines in West Germany; and it is anticipated that, with continuance of substantial imports of concentrates, German smelters will produce 215,000 short tons of slab zinc and 130,000 tons of lead in 1957.

In France, zinc production is averaging close to 10,000 short tons a month, principally from the two smelters at Auby and Viviez, which are treating concentrates from Spain, French North Africa, and properties in other countries in which the French have financial interest. Although slab-zinc consumption in France is about double the smelter production, little change is expected in the rate of smelter output. The balance of slab zinc required to fulfill consumer needs must be met by purchases of zinc metal, chiefly in Canada, Belgium, and the United States. Lead consumption in France also exceeds the lead-metal output of French smelters. The French lead-smelting industry is producing at a rate slightly over 70,000 short tons annually. Here again, no changes are in prospect.

Other Countries

Smelter output of slab zinc in Japan has been increasing annually for the past several years and is expected to establish a new record output of approximately 155,000 short tons in 1957. Lead production will remain unchanged at approximately 40,000 short tons in 1957. The slab-zinc production approximates Japanese requirements, but there is need for importing pig lead to meet internal requirements.

The long-range zinc program of the Cerro de Pasco Corp. in Peru has resulted in expanded zinc output and increased production potentials in that country. Recent completion of the Paucartambo River hydroelectric plant will enable the company to expand zinc output at its La Oroya electrolytic smelter from a current daily rate of 120 tons to 150 tons a day by the end of this year and thereafter gradually increase to 240 tons per day, or 87,000 tons of slab zinc per year. On the basis of this information, it is estimated that slab-zinc output in Peru in 1957 will be approximately 35,000 short tons, compared with 10,000 tons in 1956. It is understood that much of the smelter output is to be based on utilization of concentrate too low grade to export.

Other foreign countries producing slab zinc and pig lead and their estimated outputs for 1957 may be noted in the accompanying tables.

Based upon the current rate of domestic mine production, it is estimated that the United States slab-zinc output will reach a new record high of 1,000,000 short tons in 1957. Smelter output of lead in the same year is estimated at 550,000 short tons.

United States

In the United States many new mines are being developed; these will contribute to expanded supply of zinc and lead. Among those in the eastern United States are the New Jersey Zinc Co., Friedensville, Pa., property, which is scheduled to begin production late in 1958 with an annual output of approximately 78,000 tons of zinc concentrate; approximately 40,000 tons of this will be recoverable zinc. New Jersey's Ogdensburg, N. J., property has an anticipated annual capacity for 300,000 tons of crude ore, indicating a large increase in output of recoverable zinc. At Timberville, Va., the Tri-State Zinc Co. expects to begin production soon, with an annual output of approximately 7,000 tons of recoverable zinc. In Tennessee the Flat Gap mine of New Jersey Zinc Co., now being developed, is expected to start producing in 1958, with a daily mill output of 2,000 tons. Initial output of the Coy mine of the American Zinc Co. of Tennessee was scheduled for late 1956 but was delayed owing to floods. It is expected to begin production shortly, with an output of approximately 500 tons of ore per day, which will be treated in the company Mascot mill. Two Tennessee mines that began making significant contributions to zinc output in 1956 are the Jefferson City mine of the New Jersey Zinc Co., with its 1,000-ton-per-day mill, and the Youngmine of the American Zinc Co., which began producing in 1955 with a 1,000-ton-per-day potential output and reached full capacity in April 1956.

The significance of Tennessee as a future source of zinc is emphasized by a recent statement of the American Zinc Co. that the Southwest New Market DMEA project in Tennessee has indicated approximately 26,000,000 tons of zinc ore in four major areas and 10,000,000 tons in smaller ore bodies. The reserve, in terms of concentrate, is 2,000,000 tons of 60% zinc concentrate, or approximately 1,000,000 tons of recoverable zinc. American Zinc Co. has stated further that its other reserves in eastern Tennessee are of about the same magnitude, making a total of roughly 2,000,000 tons of recoverable zinc.

Exploration is proceeding at an intensive pace in Tennessee and Virginia, and additional zinc and some lead discoveries are being made in excess of the mining rate. Almost every zinc-mining district in the eastern United States is maintaining or increasing its metal output.

In the central United States discoveries continue to be made, offsetting in large measure the reserves already mined. Actually, in 1956 the zinc mined in the Upper Mississippi Valley area was greater than in any year since 1927. Although production in the Tri-State area has declined greatly and it is generally thought that few recent discoveries have been made, it is worth noting that since 1946, when the Bureau of Mines calculated zinc reserves at 50,000,000 tons of crude ore, the district has mined and milled 55,000,000

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World Supply—Lead and Zinc

tons of crude ore, and most of the original 50,000,000 tons remains.

Lead production in the central United States remains at a relatively constant level, with St. Joseph Lead Co., operator of the principal mines in the Southeast Missouri's lead belt, developing new properties at a consistent rate to maintain output at about 120,000 tons of recoverable lead annually.

In the western United States developments will also lead to new sources of zinc output. In Arizona, Pima Mining Co. is constructing a new plant to produce 30,000 tons of copper and 4,000 tons of zinc annually. But the big development in the West, the one that really suggests a considerable potential, is that of The Anaconda Co. at Butte, Mont. The underground Northwest Project, involving sinking of the Ryan and Missoula shafts and development of numerous copper-zinc veins north of the Anselmo and west of the Lexington and Mountain Con mines, will ultimately add 15,000 tons of ore to the daily total now being processed. The first unit for 75,000 tons is scheduled to be completed in 1961. Sinking of the Ryan shaft started early this year, and raising under the site of the Missoula shaft from the Alice tunnel is well underway. It may be remembered that F. A. Linforth of The Anaconda Co., in addressing the American Zinc Institute's 34th Annual Meeting, April, 1952, said that "zinc production from the richest hill on earth could be practically doubled within the next five years." This suggests that annual output could be increased by 75,000 tons, and it would appear that the development program underway may approximate that goal.

Although production of lead from secondary sources has been excluded wherever possible in the table on lead output included in this paper, the significance of this source of raw material must not be overlooked. Here in the United States an estimated 60% of the total refined soft lead consumed annually is recovered sooner or later in the form of secondary metal produced from scrap. Since 1946 scrap metal has been a more prolific source of lead than has the Nation's lead mines. Before World War II (average 1937-39) lead mines in the United States produced 63% of domestic supply and scrap accounted for only 37%. Lead recovered from scrap increased steadily from 1938 to 1947, when it represented 57% of total domestic supply, while mine output accounted for only 43%. The latest annual figures for 1956 show that 60% of the domestic supply was secondary lead and 40% came from mine production.

In the light of existing data, it seems reasonable to conclude that supplies of lead and zinc are adequate to meet all foreseeable needs, assuming a free flow in the normal channels of trade, such as now exist. There is strong evidence at this time that the world output of both metals will continue to exceed consumption during 1957 and that the stockpiling program of the United States Government and the barter transactions of the Department of Agriculture will continue to be important elements in the market balance.

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Defending the Independence Of the Federal Reserve System

ests of the country; they must also represent the geographical divisions of the country, for not more than one may be selected from any one of the 12 Federal Reserve districts. After serving a full 14-year term, a member cannot be reappointed. Thus job tenure considerations that might tend to sway judgments on issues of Board policy have been deliberately eliminated.

The Board of Governors, the core of the Federal Reserve, serves as the link between the System and Congress. The authority for System operations converges in the Governors, seven men, appointed as I have said, for terms of 14 years. But, about this core, the 12 regional Federal Reserve Banks with their directors, officers, and staffs, add strength and breadth to the System's understanding and grasp of economic developments. With roots reaching out into scores of large and small communities, the Reserve Banks observe first hand the state of industry, trade, and agriculture in their areas. Thus, while the System is independent of political and interest group pressures, it has the structural characteristics which insure its responsiveness to the needs of the nation whether they come to light at Washington or at the grass roots.

Defines Independence

Before going further, I should elaborate on what I mean by independence of the Federal Reserve. I have heard both friends and critics of the Federal Reserve System speak as though it were independent of Government. Most assuredly, it is not independent of Government. The Constitution directs that the Congress shall provide for a monetary system—hence, it is the Congress which has the ultimate authority. I have heard it said that the Congress is jealous of its prerogatives in this area. I believe that it should be jealous of them because those prerogatives are the companion of that responsibility which the Constitution places upon the Congress.

We may properly conclude that the Federal Reserve is intended to have independence **within** rather than **of** Government. We should bear in mind that the power to destroy or to change the organization, functions and responsibilities of the System lies with the people through their representation in the legislative branch of Government; likewise, the power to insure the continued independence and effectiveness of the monetary authority lies with the people through the same elected representatives.

It is worthwhile to look more closely into the meaning of the word "independence" when applied to monetary management. A short and correct definition would be that the System has been delegated by an Act of Congress to carry out certain functions in the public interest with regard to the quantity, availability and cost of credit; that it performs these vital functions in an environment so designed that it may with impunity disregard any and all pressure or coercion from special interest groups whether these be from commerce, finance, agriculture, labor, or government.

The legislative mandate that Congress has given the Federal Reserve makes it incumbent upon the System to use its powers as the nation's monetary authority to protect the purchasing power of the dollar by maintaining a sound credit and banking system and, at the same time, to promote high level employment and economic growth. In carrying out that mandate the Federal Reserve must look to the over-all credit requirements of the economy. Inevitably, the policy of the System will at times conflict with individual interests. The Federal Reserve recognizes that for particular lines of activity or areas of the country, its actions may seem inappropriate. Independence, after all, is not synonymous with indifference. Yet, expansion of credit, for example, to the flood stage at which the requirements of the most demanding sectors would be fully met, would surely result in unhealthy excesses for the economy as a whole.

Contending With Pressures

In times like these, some segments of the economy are continually calling upon the System and the Congress for an expansion of the already large supply of money and credit. Since they are not prepared to compete in the market for enough of the existing credit pie to have their fill, they are anxious to have the size of the pie increased. But it is vital that the Federal Reserve's policy position be predicated on over-all considerations and not those arising from particular economic groups. Yielding to pressure for a bigger pie would spell inflation-caused indigestion for the economy at large.

State and local governments, for example, when they seek to borrow in today's market, complain because the rates of interest are higher than they have paid in many years. Some suggest that the supply of money and credit be increased to the end that their interest costs be comparable with those of the 1930's and 1940's. Now I am sure that none of us enjoys paying 5½% or 6% interest on a home mortgage, when we remember so well paying 4% or 4½% in years past. But I know that we enjoy even less paying $20,000 or $30,000 for labor and materials to construct a home, when we recall that the same labor and materials would have cost only $10,000 or $15,000 in those past years. I suggest that our municipal authorities take note that the increased **building** cost of a new school or a new city hall is the important item, not the higher **interest** cost, and remember too that the substantial increase in building costs occurred in times of an abundant money supply and low interest rates. The policy of credit restraint may to some seem burdensome at the moment, but it is an essential part of our effort to avoid recurrence of the inflation which we experienced when there was no restraint.

Just as current monetary and credit policy may not suit the monetary preference of state and local governments or the home building industry, it finds the Treasury paying higher rates on new issues than it has paid for many years. Yet I am sure that it is in the general interest for the Treasury to compete on an equal basis with other users of credit and pay the market price for the funds it requires. We know full well from our experience following World War II until the Accord of 1951, the unfortunate consequences of other policies.

Open Market Is Independent

Since that Accord, the Treasury has stood on its own feet without the crutch of the Federal Reserve support program. And the Federal Reserve's Open Market Committee has resumed an independent course. Composed of the seven members of the Board of Governors and the Presidents of five of the Federal Reserve Banks, the Open Market Committee is responsible for all policy decisions on System purchases or sales of Government securities. It has repeatedly laid down the basic principles that guide its actions. Since the end of the support program the Committee has not maintained any pattern of prices and yields in the Government securities market, and purchases or sales of Government securities have been solely to effectuate the objectives of monetary and credit policy. Moreover, during periods of Treasury financing it is the stated policy of the Committee to refrain from buying rights to the forthcoming issue.

Now, as I have said, the Treasury and the Federal Reserve System have in recent years independently carried out their respective responsibilities. This does not mean that either is insensible or unsympathetic to the problems of the other; there is and there must be constant consultation between them. There is no joy in the Federal Reserve System when the pursuit of monetary and credit objectives means that the Treasury, and the rest of us for that matter, pay higher rates for borrowed money. And I am sure that there is no joy at the Treasury when Treasury financing operations create problems for the Federal Open Market Committee. But it is highly important that the independence of the two agencies from each other be maintained. For the Federal Reserve System to share responsibility for Treasury decisions, or for the Treasury to influence the determinations of the Federal Reserve, would endanger sound monetary and credit management and the independence of both the Federal Reserve and the Treasury.

Subtle Suggestions

The peculiar interests of special credit users are not the only continuing potential threat to the independence of the Federal Reserve; indirect, at times subtle, suggestions are advanced. Every now and then, for instance, there are proposals to circumscribe the Reserve's authority by way of a so-called integrated economic policy for Government determined by a proposed "summit" agency. We have also had suggestions advanced that the judgment of the monetary authority should be displaced by some rigid formula which would make periodic additions to the money supply automatic, regardless of the economic conditions of the time. Most of you have probably also heard the idea proposed that the Reserve should not attempt to cope with the threat of mild inflation, and its policies, in fact if not in law, should be to permit or even underwrite a continuing "mild" inflationary trend in the economy.

Now, if any of these three proposals were adopted, the authority and the independence, and most important the effectiveness, of the Federal Reserve would be seriously impaired. For that reason I should like to spend a few moments discussing them with you.

Attacks Elliott Bell's Proposal

I am sure that we have all heard proposals for the establishment of a so-called "summit" agency. One that has frequently been suggested would have called for some sort of a national economic council. It has been proposed that such a council might be composed of the Secretary of the Treasury, the Chairman of the Federal Reserve Board, the Chairman of the Council of Economic Advisers, and other top-ranking economic policy-makers of the Administration. The council would determine "the basic economic policies of the Government." It would report directly to the President who would have final responsibility for its decisions and "for resolving conflicts on basic matters involving different agencies of the Government."

It is clear that the independence of the Federal Reserve would be compromised if not destroyed under any such proposal which would force the System to share its responsibilities in the area of credit and monetary management. I have tried to show in my earlier remarks that independence of the monetary authority means something more than, as one critic has expressed it, authority to "tell the head of its own Government to go fly a kite." Independence for the monetary authority is important because, and only because, it permits better monetary management. By its very nature, it requires the single-minded attention of experts whose sole purpose is to manage the money supply in the public interest. It cannot without risk of serious loss of effectiveness in operation share its responsibilities with others whose principal areas of responsibility lie elsewhere or whose actions are exposed to partisan political pressure. In this sense, independence for the monetary authority simply recognizes political realities. I believe that Congress in its wisdom would be extremely reluctant to destroy this bulwark of defense from special interest groups.

Answers Quantity of Theory Advocates

Another potential threat to the efficiency of the Federal Reserve which I have mentioned is the suggestion that the monetary authority be directed to increase the money supply at a constant annual rate—the figure most often mentioned is 3%. If such a proposal were adopted, it would mean the end of flexible credit policy; the possibilities for adjusting the money supply to short-run changes in the demands for money and credit would be terminated. The supply of money and credit would increase continually at a fixed rate, compounded, without regard to the needs of the economy.

Based on our past economic history, it is inconceivable that a fixed rate of increase in our money supply would be appropriate. For instance, we have all seen the turnover or rate of use of the money supply undergo substantial changes in rather short periods of time, and obviously such changes modify the supply of money and credit needed. Those who advocate the proposal I have mentioned like to think that adoption of their suggestion would eliminate all human errors of judgment in areas related to money management. But who is capable of determining a "proper" rate of expansion in the money supply over a period of future time, or that it should be uniform in its application? It would be impossible to observe in times of war when we overexpand credit and very harmful in postwar years when contraction is necessary and in order. If the fixed rate of expansion failed to result in the price stability envisioned, the issue would be continually before the Congress for consideration of future changes.

Opposes Mild Inflation

The third indirect or subtle suggestion, the adoption of which would threaten the independence and efficiency of the Federal Reserve System, is that the monetary authority should encourage or underwrite a continuing "mild" inflationary trend in the economy. There are people of substance and long business experience — some of them good friends of mine — who advocate "controlled" inflation of say 2% per year. They maintain that a consistently rising price level is the best guar-

antee against recession and depression.

Now we should understand that there can be no such thing as a controlled inflation limited to some small percentage annually. In the first place the word "controlled" necessarily implies that it would be the announced aim of government. Have you thought of what you and your customers would do if the government were to announce such a policy? Do you think that your savings deposits would continue to increase as they have in the past year? Would you and I continue to save in the form of life insurance and other fixed dollar forms of savings? And who would buy government bonds? I am sure you know the answer, and if we acted as I suggest we would act following such an announcement, I can assure you that the inflation could not be controlled.

Now these avowed proponents of inflation advocate "mild" as well as "controlled" inflation. For the sake of discussion let us assume that a controlled inflation of say 2% per year could be successfully pursued. If you figure it out, that would not be mild. It would be equal to an erosion of the purchasing power of the dollar by about one-half in the course of each generation. For example, a worker retiring at age 65 on a pension of $100 per month would have the equivalent of only about $82 per month at age 75, and of only about $67 per month at age 86. If he lived to one hundred, his pension then would be cut in half. It would be the equivalent of only $50 in then current prices.

Impersonal Monetary Management

I am hopeful that the independence and dignity of the monetary authority will not be compromised for much the same reasons that I would deeply deplore such action with reference to the Supreme Court. Control of our monetary mechanism, like control of the interpretation of laws, can be a powerful force for evil as well as for good. Like the interpretation of law, monetary policy must be impersonal to the extreme if it is to be in harmony with our national ideals of freedom and justice. Like the interpretation of the law, monetary management by its very nature is a job for full-time experts, without private interest in the outcome of their decisions, devoted to the public service, and isolated from partisan political pressure by long-term appointments. If not, then to whom or to what political or other biased body should the vital decisions involved be referred for action, action which must be based on experience and study and yet must be exercised or modified week by week or at times day by day?

I have dwelt on the meaning of independence because I feel deeply that the continued independence of the monetary authority as contemplated by those who wrote and those who have improved the Federal Reserve Act is vital to the continuance of our way of life—it is an integral part and parcel of our private enterprise economy and all that it means in the way of civil and economic freedoms.

We should be alert at all times to combat and counteract those who through lack of comprehension of the complicated factors involved or who for political purposes or because they dislike the discipline of a private enterprise economy propose, either openly or by indirect means, to destroy the System's independence. As bankers, you are unusually well qualified to understand the meaning and the importance of independence for the Federal Reserve System. You will do a service to your profession and to the country by exerting every effort to preserve it.

Public Utility Securities

By OWEN ELY

Trends in the Electric Power Industry

Electric utility stocks were affected adversely marketwise last year by rising money rates, but apparently this has not been much of a market factor in 1957, although a few of the old-line stocks such as Consolidated Edison have given up some ground recently. On the other hand, growth stocks such as the following, have shown substantial gains—they seem immune from the competition of high money rates because yields are disregarded and they are bought principally for capital gains:

	Approximate 1956-7 Range	Approx. Price 6/10/57	% Gain Over 1956 Low
Florida Power & Light	59–37	58	57%
Florida Power Corp.	60–42	58	38
Tampa Electric	35–25	34	36
Houston Lighting	60–41	59	44
Texas Utilities	50–35	47	34
Central & South West	43–33	42	27
American Gas & Electric	40–32	39	22
Delaware Power & Light	52–37	50	35
Southwestern Public Service	33–25	32	28
Tucson Electric Light & Power	36–27	36	33

The growth utility stocks thus appear to be "on the crest of the wave"—most of them selling at price-earnings ratios in a range of 18-23. This means that they are discounting two or three years of future growth. But of course some of the industrial Blue Chips such as IBM and Minneapolis Honeywell sell at even higher multiples of earnings. Such discounting is the feature of most bull markets, and went to far greater lengths in 1929 when some utility holding company stocks probably sold at 50-75 times earnings.

The electric light and power industry has continued to make a generally good earnings showing despite the obstacles of inflationary costs. In the 12 months ended March 31, net income for all class A and B electric utilities was 8.5% over last year, compared with a gain of 6.2% in revenues. The gain in net was accomplished despite an increase of 12.8% in fuel costs, principally by holding down the increase in other operating expenses to only 3.6% and the gain in taxes to 4.1%.

The increase in fuel costs would have been even greater if it had not been for the increased efficiency of new generating plants. In the year 1956 the amount of coal consumed per kwh was reduced 2% and the heat rate (Btus per kwh) nearly 3%. No breakdown is yet available to indicate how the savings were accomplished in other operating expenses, but probably with the increasing proportion of new plant it is possible to cut down on maintenance expense. Increased automation, both in the operating and clerical ends of the business, is also a big factor.

The saving in taxes (only 4.1% increase in the 12 months ended March 31, vs. an increase in taxable income of roughly 6%) was due largely to tax savings resulting from accelerated amortization and accelerated depreciation. In the calendar year 1956 tax deferrals due to accelerated amortization alone amounted to $116 million; figures are not available for accelerated depreciation. The latter savings will increase steadily from here on, although the amortization savings will probably decline sharply in another year or two. The recent agitation over the large certificates granted Idaho Power make it possible that Congress or the Administration may soon decide not to issue additional five-year amortization certificates.

The prospects for continued growth of the power industry seem excellent. Substantial additional generating units have been ordered, to provide an increase in capability from 121 million kw at the end of 1956 to 169 million kw in 1960, an increase of 40%. Peak load is expected to increase 38%. The utilities plan on maintaining a reserve margin over peak load of about 20%.

Further increases in generating efficiency seem assured. American Gas & Electric is planning a new 125,000 kw steam generating plant which will use such high pressures and temperatures that (for the first time) water in the boiler will vaporize instead of turning into steam. This will reduce the amount of coal required to generate 1 kwh to 65/100 pound, compared with 94/100 pound now required on the average.

What about atomic reactors? At present (if constructed) they would not be competitive with the most efficient fuel-burning plants, largely because of high construction costs and the importance of maintaining the most rigid safety requirements. In England the claim is made that atomic power now being produced by the Calder Hall reactors is on a competitive basis, but allowance must be made for the difference in wage levels in the two countries, the substantial tax savings (British plants are Government controlled), and the fact that the plants are run primarily for defense purposes with power as somewhat of a by-product. It appears likely that with the widespread experimentation between different types of reactors in this country, rapid progress will be made in reducing costs so that eventually atomic energy will catch up with power generated by "fossil fuel." For the present, however, U. S. atomic energy is more of a political football (like some of the new hydro projects) than an important earnings factor. In fact, other industries are finding greater immediate practical use for the atom (isotopes, industrial testing, oil refining, etc.) than the utilities.

If utility stocks are to sustain their market popularity it is important that they maintain their record of increasing earnings and dividends. Otherwise, with junior bonds and preferred stocks yielding as much as 5½%, non-growth utility commons might be degraded to 6-7%. Some utilities will now need rate increases to combat higher costs. This applies particularly in California where fuel costs have skyrocketed and share earnings are declining. Some other utilities such as Niagara Mohawk Power, whose earnings are declining for special reasons, are also seeking higher rates.

Many utilities outside of California are protected by fuel adjustment clauses in their rate schedules, particularly as regards industrial business. The Florida utilities, for example, are well protected and their earnings have not been noticeably affected by higher fuel costs. But the regulatory authorities should recognize rapidly rising money rates and other increasing costs, and grant relief promptly where needed, if they expect the electric utility stocks to maintain their present market position as a favored group. A series of adverse rate decisions showing that regulators are unsympathetic might have had bad effects on utility prices, and mean substantially higher costs for equity financing.

The growth of the industry seems assured. Increased industrial automation, the growing adoption of the heat-pump for combined residential heating and cooling, the use of color TV and other new appliances coming into use all indicate a continuing upward trend in output. Increased efficiency will continue to offset moderate inflation—but where inflation gets the upper hand as in California, the regulatory commissions must grant relief. If they do, the utility stocks will maintain their enviable postwar market record.

Milwaukee Bond Club Annual Field Day

MILWAUKEE, Wis. — The Milwaukee Bond Club will hold its annual field day and picnic on Friday, June 14 at the Oconomowoc Lake Club and Oconomowoc Country Club. Guest fee $15.

Joseph N. Austrup, Merrill Lynch, Pierce, Fenner & Beane, is general chairman; Harold Madary, Robert W. Baird & Co., is reservations chairman.

Events planned for the day are bridge, under the direction of Fred Newton, Loewi & Co., and Ed Levy, Strauss, Blosser & McDowell; Baseball, Lyle W. Hamann, Central Republic Company, and Thomas Twitchell, B. C. Ziegler & Co.; Golf, Hal Emch, Emch & Co., and Bill Solum, Paine, Webber, Jackson & Curtis.

In the golf tournament prizes will be offered for 1st, 2nd & 3rd low gross; 1st and 2nd low net; long drive on hole No. 18; nearest to pin, hole No. 3 on Tee shot; nearest to pin, hole no. 18 (second or third shots off tee); highest gross; least number of putts.

Calcutta teams are Robert Johnson, The Milwaukee Co., and Richard Stoeffel, Merrill Lynch, Pierce, Fenner & Beane; John Secord, Milwaukee Co., and Horace Ward, Merrill Lynch, Pierce, Fenner & Beane; Dickard Vermillion, Smith, Barney & Co., and Roy Reed, Marshall Co.; Roy Richter, Francis I. du Pont & Co., and Skip French, Marshall & Ilsley Bank; Thomas Kenny, B. C. Ziegler & Co., and Harry Madary, Robert W. Baird & Co.; Jack Baumann, Milwaukee Co., and Lew Morack, Paine, Webber, Jackson & Curtis; Hank Schlass, Brew, Jenkins Co., Inc., and Matthew Pahle, A. C. Allyn & Co., Inc.; Robt. Westervelt, Bell & Farrell, and Fred Jenkins, Brew, Jenkins & Co.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John F. Johnston is now with Goodbody & Co., Penobscot Building.

Continued from page 6

Commercial Banks Offer Interesting Growth Prospects

in management because of the expanding economy, we are going to have less available in the critical "middle management" 25 to 45 age group.

Obviously, if banking is to meet its recruitment problems, it is going to have to tell its story to the public, just as all other industries and companies are doing.

What kind of a story does banking have to tell? What are the career opportunities in banking? Excellent, I feel, by any standards. First, let's take pay.

Salary Not Prestige

Modern, aggressive banks are offering competitive salaries to attract the people they want, for the simple reason that this is the only way talent can be obtained. The days when banks offered "prestige" in lieu of salary has long since passed.

How do young men make out in pay after they have been with banks a number of years? The first or second pay increase may not come as rapidly in some banks as in some other industries; but after 10 years, as a "Time" Magazine survey of 9,000 college graduates revealed, a higher percentage make over $7,500 in banking than **in any other business field.** And I might add that we have our fair share of $20,000-$30,000 and higher salary opportunities available to those who are willing to work for them and who have the capacity.

What about fringe benefits?

We know in general that we are liberal with bonuses, insurance and pension plans, vacation time, etc.

I was interested to learn that a U. S. Chamber of Commerce Study, made in 1955, showed that banks paid larger fringe benefits in relation to salary (30%) than any other form of employment.

What about opportunities for advancement?

Advancement Opportunities

Each year banking needs over 1,000 new presidents and over 4,000 new vice-presidents and other officers.

Because of banking's tradition of promoting from within, by far the great majority of these new appointments come from the ranks. For instance, I am told that in one of the country's largest banks, having no branches, out of 194 officers, all but four started as clerks and worked their way up. In our own bank with an extensive branch system, all but 43 out of the 544 officers started as clerks or trainees.

What about eduational programs?

Banking's American Institute of Banking, plus the system of bank sponsored graduate schools such as ABA's school at Rutgers, constitutes not only one of the oldest, but the world's largest adult educational organization affiliated with a single industry.

If knowledge is the goal of the young man or woman entering banking, certainly the opportunities and facilities are unlimited and, in most banks, educational programs are free of charge to employees.

All banks h a v e on-the-job training programs.

These vary, of course, by size of bank, from informal training by advancement from job to job, to highly organized programs comparable to the very best in the industry.

Or let's take a look at the diversity of jobs available.

If a student is interested in marketing, we have a place for him. Banking today, as never before, has marketing problems, particularly since banking has gone "retail" and has competition coming from so many sides.

If a student is interested in manufacturing, we have a place for him. Banking does business with all manufacturers, and all of them have problems that have to be studied. And if the student feels he doesn't want to devote his life to soap, or glass, or steel, but rather is interested in manufacturing "per se," he will welcome the opportunity to study so many different types of manufacturing enterprises.

If a student is interested in specializing in a particular industry, we have a place for him. In the large banks we have industry specialists in petroleum, utilities, etc. And in even the smallest banks, we are hiring agricultry s p e c i a l i s t s in petroleum, utilities, etc. And in even the smallest banks, we are hiring agricultural specialists these days.

If a student is interested in the over-all economy, we have a place for him. Many of the larger banks have economists on their staffs. And in all banks it is a requirement of all lending and investment officers that they have a grasp of the general economic scene.

Employment Tenure

What about stability of employment?

Employment in b a n k i n g is stable because banking is continuously growing. We don't have the personnel problems created by gaining a tremendous amount of business one year, and losing it the next, with a consequent reduction in the work force. And over the cycle, we are more stable than most industries.

To an increasing degree, we understand, today's students want to feel that their work will be of public service. What does banking here have to offer?

A banker serves individuals, businesses and his community. He must learn to be helpful to his customers or he will lose out to a more helpful competitor. If he is not a leader in his community life, he will not be living up to what is definitely expected of him.

His service is intimate because financial transactions are by their nature intimate. A banker, therefore, gets to know and serve his customers as in almost no other business. He becomes part of the lives of individuals, businesses, his community. This is one of the banker's greatest satisfactions.

Finally, what about challenge? Does banking offer a real challenge to a young man entering the business today?

To anyone who has ever set behind a loan or investment desk the answer is obvious. Since most business ideas for their execution require bank funds, we have to pass judgment on just about every conceivable type of business proposition — and from every conceivable type of business. Every business day is a new challenge to our resourcefulness.

Furthermore, in the next 10 years our expanding economy is going to present us with a demand for money the like of which we have never seen. To meet this challenge we are going to need bankers: men with training, ingenuity, imagination, vision —to grasp the opportunities of the future.

And so, in terms of compensation, fringe benefits, opportunities for advancement, e d u c a t i o n, training programs, diversity of jobs, stability of employment, public service, and challenge, banking offers great opportunities for worthwhile careers. With so much to offer, banking should not have difficulty in handling the manpower problem, if the opportunities in banking are presented properly to the public. It is most important that banking recruitment for small as well as large banks be given serious and adequate consideration **now.**

Bank Investment Opportunities

What about the capital problem our growing industry faces?

In the 10 years from 1946 to '56, capital funds of all banks as a per cent risk assets declined from 23% to 15%. In New York City, the decline was from 28% to 15%.

As I mentioned earlier, if we are to move toward a $600 billion economy, a further substantial increase in loans must be anticipated.

Obviously, if we are to halt the decline in capital ratios, much less improve them, we will need additional capital.

As in the past, much of this capital will be provided from retained earnings. But in many banks this procedure will fall far short of needs, if the banks are to serve properly the borrowing requirements of their communities.

The American Bankers Association is making an effort to get the taxing authorities to take a more realistic attitude toward valuation reserves on loans. Certainly this effort deserves success — **in the public interest** — if banks are to provide the loans which will be demanded of them in our expanding economy.

But even if ABA does have success with the Treasury, and even if banks do pursue conservative dividend policies, many banks will still have to go to the market for additional funds.

What kind of investment opportunity does banking offer the investing public? Much more, I would guess, than the market currently seems to think.

If you agree that the field of commercial banking offers unlimited vocational opportunities for men and women, I am sure you will agree also that commercial banks a f f o r d interesting growth prospects for investors.

Banking's Growth Prospects

Certainly no business is more essential to the whole economy than the safekeeping of individual, corporate and public funds and the extension of credit for constructive purposes to those same groups. One only has to consider the rapidly rising standard of living to appreciate the potentials for the business of banking.

Whereas only a century ago about 94% of the gross national annual production in this country was the result of human hand and animal labor, with an average work week of about 60 hours and a week's wages averaging less than $8—today machines do about 94% of the work, the average work week is 40½ hours and the average weekly wage is $80—and we are just on the verge of a new era in automation.

I have already commented upon the estimated increase in the nation's population, but I would like to remind you that if the Gross National Product estimates are anywhere near correct and if the money supply is permitted to increase at anything like the average annual expansion of recent years, then we should see an increase in total deposits from $229 billion at the beginning of this year to more than $300 billion 10 years hence.

By the end of the next decade it seems quite likely that American industry, and particularly banking, will have become much more mechanized and nuclear science will be much farther advanced with its promise to lift living standards to heights now only visualized by dreamers. This economic progress will mean vastly greater employment of money, thereby multiplying the relative importance of banking.

Bank Stock's Selling Average

If the outlook for banking is so bright, one might ask, why is it not reflected in the market prices of bank stocks? It is noteworthy that industrial stocks recently have been selling on the average about 33% above their 1929 highs; rails have been averaging about 78% and utilities about 52% **of** their 1929 highs, but bank stocks (as measured by the American Banker Index) have been selling at only 31% **of** their 1929 high.

It is not too difficult to explain why bank stocks have been slower in regaining investment popularity than have most other groups of securities. Not only were bank shares severely depressed in market value during the 1929-1932 general collapse, but the unfortunate banking situation which prevailed during that period was vivid for many years in the minds of many investors. However, I am sure that this has now been forgotten in the light of the great record which banks have made in recent years. Another factor contributing to the lack of enthusiasm for purchasing bank stocks was the artificially low rate for money imposed upon the system in order to facilitate an unprecedented program of deficit financing.

In addition to sharply higher taxes, the banking business was required to carry an extra item of expense in the form of deposit insurance. Reflecting these factors, bank shares fell even lower than their lows of 1932. The American Banker Index established a low of 22.9 in 1942—10 years after the so-called "depression" low of 23.9 established in 1932.

Now, with the basic economic law of supply and demand permitted to function in the money market, and the arm of monetary regulation concerned primarily with the control of inflation, banks at long last are able to earn again a more normal return on loans and investments than has been possible for a quarter century. I say "more normal" advisedly because, contrary to popular impressions, interest r a t e s are not high or "normal" by standards of historical comparison. They are well **below** the rates of the '20's and earlier periods; and, I might add, at a time when most other prices are well **above** historic levels. The 20-year period of "cheap money," like the proverbial ill wind, taught us the art of charging fair and equitable fees for many services which previously had been provided gratis to customers. Hence, from the standpoint of net results, more equitable rates for money plus fair fees for special services should provide substantially greater earnings than those experienced in the past.

Cites Performance Study

A study by Harry V. Keef, Jr., of Tucker, Anthony & R. L. Day shows that over the last five years banks have had greater gains in both earnings and dividends than either industrials or utilities. Earnings increased 59% for 22 banks, 58% for 30 industrials and 53% for 17 selected utilities. Over the same period, the same banks have raised dividends an average of 42%, while the industrial group has increased its payments 36% and the utilities 37%. Current yields are not far apart—4.35% for bank stocks, 4.28% for industrials and 4.41% for the utilities. . . .

The outstanding difference in comparing these three groups of equities is the fact that bank stocks are selling much lower in relation to earnings per share than are industrials or utilities. While the former recently have been priced at 12.3 times earnings, industrials and utilities have been selling at 15.4 and 16.6 times earnings, respectively. This, of course, reflects the fact that banks are earning substantially more in relation to what they are paying out in dividends than is the case of the other two groups. The banks recently have been paying out about 53% of earnings, against 63.6% for the industrials and 72% for the utilities.

The greater plough-back of bank earnings is a factor which should warrant a real interest on the part of many investors. On the other hand, there are many who prefer a higher percentage pay-out. Nevertheless, one cannot overlook the fact that under present tax laws, high cash dividend distributions are somewhat illogical in that they afford the income tax collector a chance to clip corporate earnings a second time when they are received by the shareowner. Therefore if the corporation needs new capital for expansion, it must recover much taxed income by offering new stock to the shareowner.

I do not presume to know the correct answer to the problem of which is the better of two courses to follow. The circumstances differ with each banking institution, but the fact remains that because of the record of higher retained earnings, there is sufficient flexibility to enable banks to follow the most desired course. This in itself provides an advantage to bank stock investors because of the selectivity available to them.

If the banks paid a larger percentage of earnings in dividends annually, b a n k stock prices would unquestionably be higher. Therefore, despite the need for more capital in growing banks, which means most banks, perhaps dividend policies should be more liberal. However, we must not overlook the fact that some of our leading growth industrials such as International Business Machines and General Electric, pay meager cash dividends while their stocks sell on anything but a yield basis. Maybe bank stocks are due for a "new look." I cannot escape the feeling that they are due for a higher investment rating.

Other Favorable Factors

I have endeavored to present a realistic picture of the outlook for career and investment opportunities in our great industry. However, from the investment standpoint there are other favorable factors to be considered. Based upon the forecasts for our economy already alluded to and the expected demands for money, it would appear that the loan-deposit ratio will remain high for some time. Should this fail to materialize, there would be a compensating condition created unquestionably by the monetary authorities. The resulting addition to the money supply would certainly give banks a higher investment leverage. In any event the banking system seems destined for some relief eventually from the penalty of high reserves which sterilize so much of the usable funds of banks.

Corrections have been recommended recently by the American Bankers Association, following a two-year study, and they have been well received in supervisory circles. The ABA recommends:

(1) Reduction in required reserves of Federal Reserve System member banks over a period of years from the present average level of 16½% of net demand deposits to 10%. This would permit banks to invest $9 instead of $5 at present for each $1 of reserves maintained.

(2) Reduction of reserve requirements for time deposits from 5% to 2%.

(3) Allowance of vault cash as part of a bank's legal reserves.

All of the above will add considerably to the earning assets of banks. It never seems a good time to make changes of this character but bank earnings are being un-

duly penalized by excessive reserve requirements, and it would seem desirable to get an adjustment program started.

I cannot refrain from mentioning another possibility. Although there is no evidence that we might expect any early relief it would certainly seem constructive if some adjustment were made in the Federal Deposit Insurance assessment. There, of course, is no actuarial yardstick which might be applied to determine what reserves are necessary, but predicated entirely upon the record to date, it would seem that the fund which has been built up to $1,742,000,000 is ample for anything except a complete economic collapse. The present reserves are 62 times the estimated total net losses experienced by the Federal Deposit Insurance Corporation for the 431 insured banks which have had difficulties during the 22-year period 1934 through 1956. Expressing it another way, one year's current investment income alone is more than sufficient to cover one year's operating expenses and all of the losses of the Corporation sustained to date.

I have referred previously to automation and its effect upon other industries. My discussion should not be concluded without adding this as another favorable factor in banking. From the extensive research which has been done and from the studies which are in process, it is safe to say that we are on the threshhold of considerable relief from personnel costs in the high turnover area where permanent personnel is not affected. I am sure that in a few years electronic devices for accounting purposes will enable banks to show a tremendous reduction in this item of expense. Thus automation will play a big part in the control of expenses. In fact it could even reverse the upward trend which we have almost accepted as inevitable.

The statistics in the foregoing remarks were essential in presenting the picture which I was desirous of drawing. No doubt some might think that I could have accomplished my objective merely by giving the following summation:

> The industry of banking is a dynamic and growing one. The challenges are so intriguing that a banking career should have maximum appeal. Investors have the unique privilege of enjoying both stability and growth prospect.

From my own experience, the case has been proved satisfactorily to me.

N. Y. Mun. Women to Hear Edwin Gill

The Educational Committee of The Municipal Bond Women's Club of New York announces that the Hon. Edwin Gill, Treasurer of the State of North Carolina, will address the Club on Thursday, June 20, 1957 at The Lawyers' Club in New York. His topic will be "North Carolina's Fiscal Program."

This luncheon will mark the final session of the educational program for the current season. The Educational Committee for 1956-57 included Elaine C. Haggerty of Phelps, Fenn & Co., Chairman; Marilyn Madden Ellsworth, Kuhn, Loeb & Co.; Gladys S. Degner, King, Quirk & Co., Inc.; Elaine M. Lamb, Halsey, Stuart & Co., Inc.; Mary M. Hickey, Kean Taylor & Co.; and Mareb V. Hoke, Northern Trust Company.

Guests are cordially invited and may obtain reservations through Elaine C. Haggerty, Phelps, Fenn & Co.

With Atkinson Co.

PORTLAND, Oreg.—Richard A. Olson is with Atkinson & Co., U. S. National Bank Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The long-term Government market, after making new all-time lows, rebounded slightly, but it is not expected that this is more than a minor upswing from a somewhat over-sold position. The erosion in quotations of the more distant Treasury bonds will continue, according to the predictions of many money market specialists. They believe that as long as yields are more attractive in non-Government bonds, there will be selling of Treasury bonds in order to take advantage of this higher income.

The uptrend in the yield of short-term Government securities, according to some quarters of the financial district, will continue because of the new money needs of the Treasury and the seasonal demand for funds which should be developing with the fall of the year. The recent rise in commercial paper and bankers' acceptance rates might be forerunners to a higher prime rate. All of which could be forecasting an increase in the discount rate.

Tighter Credit Policy Expected

The Federal Reserve monetary policy is called "passive," but as far as the money market is concerned it is as restrictive as it has ever been. Memory does not have to be too long, because it was in 1953 when the money market was also very severely restricted, but in the spring of that year there was mounting evidence of a spreading recession in business and the powers that be quickly reversed the policy of stringent credit tightening and pumped large sums of money into the market.

The present time, however, does not give any indications of a reversal in the business pattern, and with the inflationary pressures as strong as they have ever been, and the rush to put out new issues of bonds and stocks showing no signs of slowing down, there is practically no chance of an easing in the (restrictive) passive monetary policy. For that matter, not a few money market specialists are of the opinion that tighter and more restrictive credit policies will be seen in the not too distant future.

Rising Yields on Corporate Bonds

The corporate bond market, due to a bad case of indigestion brought about by the too rapid flotation of new issues, has been leading interest rates upward. Offerings have backed up in quite a few cases recently, so that rates had to be increased in order to have the bonds move out at the offering price. There appears to be a good demand around for new offering of corporate bonds, but the yield has to be high enough to bring these funds into the market. There is no doubt in the minds of buyers of new offerings of non-Government bonds that, with the calendar as large as it is, they can not only be selective in their purchases, but they can also get pretty much the yield which they believe is commensurate with the type of obligation being brought out. Also, sales of Government bonds continue to be made in increasing amounts, so that the proceeds can be invested in higher income corporate or tax-exempt bonds.

Liquidation Persists in Treasury Bonds

Accordingly, the pressure on long-term Government bonds is strong, and there are no indications yet of a let-up in these switches into corporates and tax free bonds. And as long as there is such a discrepancy in the yields between non-Government and Treasury bonds, and with these yields so much in favor of the former, there will be this trading out of Government bonds.

Further Pressure on Short-Term Sector

The current fiscal year comes to an end on June 30, but with it will come new borrowings by the Treasury in order to get money which will be used to meet requirements at the start of the new fiscal period. This new money raising operation will keep the pressure on the short-term money market, because this is the only sector in which the financing can and will be done at this time. The predictions are that between $3 billion and $4 billion will be raised by the Treasury in the very near future. This new money raising venture of the Treasury will put added pressure on the money market, because the June 15 income tax payments will entail some new borrowings. Unless some unexpected help is given to the money market, there will be no let-up in the pressure which is on it.

Large Refunding Expected in July

In the not too distant future, that is sometime in July, there will be a refunding operation by the Treasury, since the Government must announce an exchange offer to the owners of $12,056 million of 2¾s coming due on Aug. 1, and $3,792 million of 2s maturing Aug. 15. The greater part of the 2¾s are owned by the Federal Reserve Banks, slightly more than $8 billion, nonetheless, approximately $7,700 million of the two August maturities are held outside of the Central Banks. In order to make this refunding a successful one, attractive terms will have to be offered. A large attrition would not be a desirable development after the sizable one in the May operation.

With Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis. — Walter E. Murray is now with Link, Gorman, Peck & Co. of Chicago. Mr. Murray was formerly with First Securities Company.

With Hildebrand Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA ROSA, Calif.—Marian H. Huddy has become associated with Hildebrand & Co., 4000 Montgomery Drive.

Boettcher Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul V. Cary and Charles D. Gill have been added to the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Joins Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wilson C. Nicholas has joined the staff of Mountain States Securities Corporation, Denver Club Building.

Continued from page 4

Observations . . .

much metal can be used commercially, at what price, with what profits and who will prosper from among the many who are going into this business," warns Mr. Popovic. "Generally, there seems to be no other basis for the present great enthusiasm about this metal than a lot of talk, with unsupported projections as to the rate of consumption, prices and profits. The industry and investors sometimes over-rate the potential of new developments (remember Chlorophyll and Biotics of the recent past). This management feels that it is better to wait and make an investment only when consumption in volume is a fact and not an indefinite projection and when we have some indication which company will make profits, and how much and how soon."

Certainly a sound and altogether scientific position; but also a courageous one for adoption by one operating in that mutual fund fishbowl of second-guessing and potential recrimination.

The Other Side of the Metal

On the other hand . . . this fund management comes out whole-hog for *uranium* stocks; at least for certain companies. Blue Ridge recently acquired two issues, Pronto Uranium Mines Ltd., and Consolidated Denison Mines, Ltd., in the belief that the industry has finally emerged with a clearly defined floor supporting earning power under existing contracts. With the declassification of information and recording of actual operations, and with contracts on the books until 1963, full justification is seen for knowledgeable investment commitment.

On completion of their contracts Pronto will have earned more than the present market price of the stock and Consolidated will have covered most of the current cost. Both would then own a fully depreciated plant with additional metal reserves. Hence, says Fund President Popovic, "This is an unusual combination of strong investment features with added speculative potential, and therefore these stocks appear to belong even in a conservative stock portfolio."

The discrimination marked by this dual attitude, with the affirmative action manifested in quantitative-appraisal situations off the Blue Chip path, seems to represent fund functioning on the most appropriate level.

THOSE COMFORTABLE BLUE CHIPS

On the other hand Blue Chipism concurrently received another fillip and practical explanation for its continuing and increasing popularity, through the coming a cropper of another fund.

The new month's legal annals include the interesting news that three Value Line Funds have filed suit against the Chairman of the U. S. Hoffman Machinery Corp. and a brokerage firm for the return of the three and a quarter million dollar purchase price which they had paid for 191,000 shares of his stock. The Fund management had purchased the stock last June as an undervalued equity, after making studies of and receiving the Chairman's opinions about, sales and earnings prospects, working capital and bank credit lines, inventory position — all basically important items of inquiry on which to base a scientific commitment. Alas, the diligent unearthing of the answers to these pertinent questions resulted in the purchase of the shares at $17, now fallen to $9 for a shrinkage of one and a half million dollars.

Frustrating experiences like this, unavoidable by the courageous "strayers" from the beaten name-stock path, are one of the important elements pushing the fiduciary investment manager back to remaining with the Blue Chips, irrespective of their possible statistical overvaluation and overexploitation.

He is glad to "pay the price" not only to reduce the possibility of error, but equally to clothe with "respectability" — in good company—those errors which may still inescapably occur.

POLITICS AND SENATORIAL EVALUATION

Scrutiny of the Senate's recent debate on the nomination of former SEC Chairman J. Sinclair Armstrong to be an Assistant Secretary of the Navy reveals the oblique considerations governing Senators' appraisal of an official's past record. The ball against Chairman Armstrong was carried by Senator Kefauver long and vigorously. But the Senator from Tennessee, habitually interested in TVA, seemed to feel that only the nominee's involvement in an incident concerned with Dixon Yates, in allegedly following White House orders to postpone a trial examiner's hearing on the case, concerning the D.-Y. financing, was relevant. The long record of the Chairman's administration at the SEC, with the sins of commission and, more particularly, of omission, was not deemed worthy of any attention at all on the Senate floor.

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The Elusive Airline Dollar

items)—at $20 million per year—$60 million. From retained earnings (i. e.—what is left after satisfying stockholder dividend hunger) at $5 million per year—$15 million; From sale of obsolete or unneeded equipment—$10 million; From borrowed money and/or equity — $215 million.

At last the chips are down—Brown would, of course, **like** to **borrow** during the period 1957-1960, the whole $215 million he cannot foresee obtaining from internal cash generation and cash proceeds from the sale of equipment—and he would, understandably, like to pay it back commencing in 1961 after the delivery of his final jet plane over as long a period as the investment community will let him have. The banker, however, true to tradition, already has some reservations. In view of declining profit margins and the looming break-in expenses of new aircraft, he may discount substantially the amount of money projected as coming from retained earnings. He may also discount proceeds from the sale of obsolete aircraft (no one can now predict accurately the price of a DC-7 or Super Constellation in 1959 or 1960 for example). He may feel, therefore, that Brown should provide now in his plan for **more** than $215 million of new equity or borrowed money, and he, being a banker, will certainly feel that this much in debt alone is too much for the airline in relation to its present net worth! From now on, this program is in the hands of the investment community, which in all cases, must supply the majority of the airlines' capital requirements for the jet age. Let's see how this community views Brown's problem and proposed solutions—for this is the key to what the airlines must be prepared to do financially to swing their jet programs.

Insurance Industry's Financing

I should say here that no discussion of the investment communities' role in airline financing can be complete without emphasizing the vital service rendered to the airline industry in putting together their jet programs by the insurance companies of America, that have committed to lend huge sums of money to some of the major airlines with 20 to 30 year final maturities, far beyond the depreciable, or very probably, the obsolescent life of any flight equipment the money will be used to pay for, and often with no maturities until 1966. This is the best possible evidence of their faith in the "going concern" characteristics of this dynamic industry—and the industry, in view of the continuing financing needs of the future—must be given at least a fair chance to remain financially healthy so that this faith will be kept alive. What insurance company long-term money participation in airline financing means is that the amount of money an airline has to pay back each year in the form of debt maturities can be minimized during the crucial initial years of jet operation. Commercial banks — which prior to the past few years, have been called upon to supply the bulk of the borrowed funds to the airlines (and we are proud of this role)—must, because of the nature of the funds they lend (demand deposits), be paid back within a relatively short period—probably far too short a period to enable the average airline comfortably to pay back the cost of a $5,000,000 or $6,000,000 airplane without severely straining its cash position.

At this point we bid Brown and his specific problems a fond "au revoir" (we'll meet him again)—he having performed admirably the role of posing, in capsule form, the financing problems of a typical airline. We shall move now into a more real world and figures quoted from hereon are based on actual averages for the Big Four domestic carriers, (American, United, Trans World and Eastern) and four representative smaller trunklines (arbitrarily selected) (Northwest, Delta, National and Braniff) as taken from their latest annual reports and press stories.

Examines the Big Four

In obtaining funds for the jet age, the airline industry must, of course, compete for the investable funds of the country (both debt and equity) with all other industries—virtually all planning expansion programs of greater or lesser magnitude. The debt portion of these funds will be attracted, generally speaking, into situations where there exists the greatest relative security — both in asset value, or probably of equal importance, in prudently foreseeable cash generating potential sufficient to pay the money back over the period for which it is borrowed. The equity portion will be attracted into situations where the foreseeable rate of return (either in dividend income or capital appreciation) is relatively largest in relation to the risks taken. Thus, at the outset, we can see that to win the competitive race for funds at a reasonable price, the airlines must be "no poorer" than their neighboring industries which are also competing for these funds. It is this competition in the financial markets of a free enterprise economy that, in reality, set the financial ground rules a company must follow, and if airlines are to remain a part of our free enterprise economy, they must also live within these rules. Let's see what this means specifically to a composite picture of the representative airlines enumerated earlier:

(1) On a four company average basis, the Big Four, through 1959-60, must each pay for $347,000,000 of new equipment. On the basis of 1956 actual depreciation, they can foresee about $63 million of this cash coming from this source during the years 1957 through 1959, leaving them $284 million to be raised elsewhere. Some funds will undoubtedly be available from retained earnings and sale of excess equipment, but just how many dollars—no one can say.

(2)The Book Net Worth of this composite airline (i e. the amount remaining to the owners of the business after deduction of all debt from the book assets of the company) is, at the moment, $109 million. The only ways this Net Worth can be increased between now and 1960 are:

(a) From Net Income not paid out in dividends (an unpredictable figure dependent upon the future earning power, profit margins, and dividend policies of the airline.)

(b) From capital gains coming from the sale of surplus aircraft at prices above book values—another very unpredictable figure, and

(c) From the sale in the market place of new equity securities—the most logical source.

(3) Therefore, to be conservative (and bankers **never** discourage this type of approach) this composite airline should arrange now for at least $284 million of new money (which it will need on what we call a "break even basis" — i. e. assuming the non-cash expense of depreciation is covered, but that there are no retained earnings or proceeds from the sale of aircraft in the picture).

(4) At this point, the composite airline starts competing creditwise with all other industries, and runs into certain of the basic financial ground rules. It finds that, generally speaking, as a starting rule of thumb, conservative lenders of debt money, like to see at least about as much "risk" or stockholders' money as borrowed money in an industry such as airlines—what we bankers call a one to one debt/equity ratio. Even the very stable, electric utility industry, where the competition inherent in airlines is unknown, has found it necessary to follow this practice and, as of the end of 1956, the composite debt/equity ratio of eight representative high-grade electric utilities, comparable to the airlines' composite Big Four, was something **under** 1 to 1. It needs only a glance to see that $284 million of debt divided by only $109 million of Net Worth produces a debt/equity ratio of well over 1 to 1—to be exact—a ratio of 2.6 to 1. This same ratio for the composite company representing the four smaller trunklines is 2.3 to 1. Despite some increase in Net Worth which most probably will come from retained earnings, it is obvious that in this important element of credit strength, airlines will be substantially poorer than their neighbors.

Violating 1 to 1 Debt/Equity Ratio

(5) In spite of this relative equity poverty, as we have mentioned, the composite Big Four airline has already successfully made borrowing arrangements with banks and, more importantly, with insurance companies which will provide the funds for a subtantial portion of their **initial** jet programs. These lenders very courageously do permit the airline to violate the 1 to 1 debt/equity ratio (the main reason for this permitted violation probably being that airlines turn their assets into cash through depreciation charges once every five to 10 years and thus throw off a large amount of cash on a break even basis which can be used for debt retirement) but these arrangements, (most of which are private with full details not available to the public) probably without exception contain some sort of debt/equity ratios as a part of the borrowing formula beyond which the airline cannot go (at least this is the case in every airline financing arrangement we have seen). In the case of the relatively smaller trunklines whose borrowing credit is naturally relatively weaker than that of the larger airlines, this debt/equity ratio will be relatively closer to the rule of thumb—1 to 1. In other words, there are strings attached to the funds available for the jet age from banks and insurance companies to even the strongest airlines. The strongest of these strings are maximum permitted debt/equity ratios, minimum working capital requirements and maximum permitted debt to net depreciated book value of flight equipment ratios. If an airline does not come up with certain equity and working capital figures by certain future dates, some of the debt money it has already arranged to borrow will **not** be available to it and if losses on the net income level erode its present Net Worth, it may even be called upon prematurely to pay back some of the money it has already borrowed. Virtually all airline financing arrangements to date demand a certain minimum amount of earning power into the future to become effective. All that glitters in press stories of financing arrangements is not automatically gold!

Compounding the problem is the added factor of increased working capital needs necessitated by the substantially greater dollar volume of business which the jet age is expected to bring. Cash for this must also be raised through some form of permanent financing or retained earnings. Furthermore, few, if any, of the airlines have made financial arrangements for their second and third round of jet age equipment purchases — which, during the decade of the 1960's, may equal or exceed the costs of the airlines' initial orders which we are talking about now.

Key Essential Is Equity Capital

The conclusion becomes, therefore, inescapable that to enable the airlines to obtain that last "elusive" dollar they need for the jet age, and to remain financially strong, healthy and competitive with other industries down the long road ahead, as they must if they are adequately to serve the people of America, more equity will be perhaps the **key** essential — either from retained earnings or, more importantly, and with more difficulty, in almost every case, from the public sale of equity securities. This demands a favorable climate for airline equity financing — and as we shall see, this climate is at present unfavorable, appears to be getting progressively cloudier, and needs more sunlight in the form of increased earning power. Since the cost to the airlines of putting an available seat mile into the sky has increased steadily after the DC-6B, this increase in earning power can only be attained in the sizable amounts necessary by allowing airlines to charge a fair price for their main product — available seat miles (i. e. fair to everyone—the public **and** those often forgotten men—the owners of the business — the stockholders.) This price for all services for domestic scheduled airlines was 5.30 cents per mile in 1956, versus 5.75 cents per mile in 1948, and has, despite rising costs, actually **declined** in the last eight years while the product was getting **better**. Very few products in our economy today can make that statement!

As any investment analyst knows, the whys and wherefors of the market action of common stocks is, at least, an intricate and somewhat unscientific business — and a poor commercial banker does not live in that world. But I should like to quote a few statistics that indicate very simply that the airline equity market is not at present the happiest in the world—especially in relation to that of other industries in our economy. For the Big Four airlines—for example—the price of a share of common stock on May 15, 1957 was, on the average, only 59% of the price of that same share of stock at its high in 1946. For the four smaller airlines we are using, the price of that share in May, 1957 was, on the average only 50% of its 1946 high price. This compares with a share of stock representing all the industrial issues used in compiling the Dow-Jones averages which, in May, 1957, was selling at 224% of its 1946 price. This does not make for happy airline stockholders—nor is it the best selling point in attracting equity capital into jet age expansion programs.

Here's another example: On May 15, 1957, the market price of the average Big Four stock was actually only 99% of its book value (i.e. less than the actual net assets of the company after depreciation) and for the smaller airlines this percentage of market to book value was 76%. Here again in comparison with the strictly regulated electric utility industry (perforce a good and frequent customer of the equity market) is interesting and revealing. In May, 1957, the ratio of market to book value of the common stock of eight representative electric utility companies was 173%. Moreover, in the utility industry this ratio has risen over the years. In 1951, for these same utilities, it was 129%. For the Big Four airlines in 1951, the ratio was 181% and for the smaller lines—138%—so the intervening years have witnessed a substantial decline in this important ratio for the airlines. These figures must be viewed in the light that to sell any large issue of new common stock, dilution is a factor and the price of the new shares must usually be somewhat below the actual market. To sell stock at **below** book value is to let new stockholders into more of a share of the profits and assets of a company per dollar of investment than the old stockholders possess per dollar of their investment—and this does not make old stockholders either happy or willing to approve, with any sense of joy, a new stock issue.

Reasonable Return

A vital ingredient in the answer to why airline stocks have performed so poorly relative to the rest of the market is simply this. They haven't, in the opinion of the market, shown sufficient earning power and dividend paying potential to justify a price even equal to book value in view of the risks inherent in their future, such as increasing route competition, substantially increased capacity, and the increasingly severe squeeze between the low selling price of their product and rising costs of production. For the market determines the price of a stock to a great extent by applying a multiple—called the price-earnings ratio—to the earnings of that stock. This ratio says, in effect, that the market will pay X dollars for each dollar of earnings that stock is showing. It is a very sensitive index of value and credit strength—and if the earnings of a stock give promise of continuing far into the future at satisfactory levels—or better still, increasing steadily into the future, the market will value these earnings at a high multiple. You can't argue with the market—and it has said for many years that even the best airline stocks are worth about nine times earnings. (That was the average price-earnings ratio for the Big Four in 1951 and it is their average price-earnings ratio today). To sell above book value, therefore, even the best airline must earn a return of over 11% on its book net worth. The industry, obviously, as presently regulated, does not give promise of being able to earn this rate of return. The electric utility industry, as we have seen, **has** been able to, and gives promise of being able in the future to, earn a rate of return necessary to create an equity market price above book value for its common stock. It is interesting to note that the common stocks of this industry sell today at a price-earnings ratio of about 15 times earnings versus nine for the airlines—a tribute in a way to faith in sound future utility rate regulation. It is also significant to note that the price-earnings ratio of all the industrial stocks in the Dow-Jones averages were 15 times in 1956 versus 9.7 times in 1951. In comparison, the airlines industry in this vital area of finance is "poorer" than its neighbors. The market place sets price-earnings ratios and they are often difficult to raise in a hurry. To keep the airline industry as prosperous as its neighbors, increased earnings (the other side of the multiple) are about the only answer.

I might summarize this discussion on the importance of earnings to equity financing potential by quoting from a leading stock market survey service which recently said "air transport equities cannot be expected to perform well over the near future unless the industry is able to obtain higher passenger fares to combat ascending costs."

Conclusion

In conclusion—let us return to Mr. Brown of Airline X, who by

this time is tired in spite of his good night's sleep, having suffered along with you during the bankers' probing of his program. You, by this time, know in general the type of questions he has been asked and the main ground rules his airline will probably have to follow to finance its jet program. He walks from the bank with the following impressions:

(a) The investment community has thus far shown faith in the financial future of the airlines and in their ability to cope successfully with the tremendous problems which prudently foreseeable future growth will entail.

(b) A substantial amount of borrowed money is available to him, as it has been since 1946, provided that the amount of the annual maturities of this debt are kept below break even cash generation into the future. In this connection, he probably mutters a prayer of thanks to the insurance companies which have recently shown willingness to provide vitally needed long-term money to the airline industry.

(c) The amount of borrowed money available to him is, however, at some point definitely limited by the amount of the book net worth of his airline and other hard financial criteria, and he must face the prospect of most probably selling additional equity securities plus, without a doubt, increasing the retained earnings of his company if he is successfully to guide his airline through its transition into the jet age with a healthy credit standing.

(d) The key to his problem seems then clearly to be increased earning power now—so he can develop a little fat in the form of working capital to keep him warm against the cold cash draining, winds of jet pre-operating and break-in expenses—and so he can raise additional equity in the market without being unfair to his own bosses—the present stockholders.

(e) Brown decides, as he gets into a taxi, that he'd better have a long "Dutch uncle" talk with the man who will represent his airline in the fare investigation in Washington!

In the meantime, the banker mindful of the obstacles in the past which the dynamic airline industry has surmounted—feels confident that if certain fundamental financial ground rules can be followed—which will require sound and prompt cooperation from regulatory authorities—the airlines will come smiling through the next five crucial years and land their jet planes gracefully at a creditworthy airport. Then the airlines and the bankers will enjoy the finest of all satisfactions at the end of a long, gruelling, but successful flight—unfastening the seat belt, and lighting a cigarette.

With Securities Inc.

(Special to The Financial Chronicle)

DENVER, Colo.—Frank L. Logan is with Securities, Inc., Farmer's Union Building.

Craigmyle, Pinney Adds

(Special to The Financial Chronicle)

DELRAY BEACH, Fla. — William L. Purcell is now with Craigmyle, Pinney & Co., 704 East Atlantic Avenue.

With J. H. Price

(Special to The Financial Chronicle)

CORAL GABLES, Fla.—Jefferson F. Montgomery has become connected with James H. Price & Company, Inc., 73 Merrick Way.

With Roman & Johnson

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla.—John K. LePan has become affiliated with Roman & Johnson, 312 East Las Olas Boulevard.

Securities Salesman's Corner

By JOHN DUTTON

Service With A Capital "T"

This week I am going to tell you about a fellow who had an idea some years ago that, although many people were building up estates for themselves, when they finally took a look at what they had been doing all they could see was a jungle of property put together hit or miss, with little or no consideration as to what might happen someday after the inheritance taxes, and estate settlement costs had taken a substantial slice out of their families' inheritance.

The more he thought about it the more convinced this investment man became that here was an opportunity to perform a real service for his clients. He knew that most people had only a sketchy idea of the tax savings that were legally available to them. He knew that many of his clients had never thought out the possibilities of using the *tax laws* to prevent excessive and unnecessary tax payments, both from current income and from the ultimate capital that most men accumulate with the hope of making life a bit more secure for their wives and children. And over the years he has done something about it.

His Own Business Was His Laboratory

Quite a few years ago, he became thoroughly convinced that people do want help on their estate problems so that they can have a plan not only for accumulation of capital but also for its preservation and direction. Accordingly, Baron Helbig, of Baron G. Helbig & Co., 60 Broad St., New York City, set out to study and discover every sound, authoritative and proven means of ending *unnecessary, excessive,* and *unrequired tax payments.* His objective was to conserve through proper planning both income and capital for the individual, his family and his heirs. He consulted with trust officers, lawyers, authorities in the Internal Revenue Service, and he studied the tax laws.

As he suspected, not only those in the highest tax brackets who were holding the large estates were subjecting themselves to unnecessary tax penalties because of their inexperience and lack of knowledge, but also people with modest incomes and estates were overlooking ethical and proper methods of preserving their capital and their earnings. He went to work among his own clients. He consulted with them and made a thorough-going study of their entire estate pictures and, with the help and counsel of competent legal advisors, he suggested methods of saving hundreds and thousands of dollars from both current and future tax bills. He did all this without a fee but you can well understand that his clients were most willing to also accept his investment advice as to the proper securities which they should own.

Serve Well and Succeed

Today Baron Helbig not only heads his 25 year old investment firm but he is in constant demand by many of the country's other leading investment firms where he offers his services to the clients of these firms as an advisor on their estate planning and tax problems. He has originated the "Charity and Income Benefits Plan" which is currently providing immediate and impressive tax benefits—often as high as a 50% reduction — for the individual whose plans include donations to church, college, hospital or similar worthy causes. The donor under this plan achieves immediate income tax reduction whether the bequest is large or small, and secures for himself a lifelong income which can be extended to his heirs if so desired.

It is not often that columns such as this should be used to sing the praises of any individual but, as I see it, there is also a good, sound reason why the personal story (sketchy as it is) of Mr. Helbig can be valuable to others in the investment business. It proves one thing beyond any doubt; if you have a practical idea that you believe will be helpful to other people; if this idea can be conveyed to them in a manner so that they can understand *it's importance to them,* and if you will work hard at your job as I know this man did, you must be successful. As a member of the New York Society of Security Analysts, with a background of 30 years in the investment business, and the head of his long established firm, I think I can say that here is a man who has proven the old adage, "If you are to succeed, serve your fellowman well."

Commercial Credit 5% Notes Offered

An underwriting group headed jointly by The First Boston Corp. and Kidder, Peabody & Co. made a public offering yesterday (June 12) of $75,000,000 Commercial Credit Co., 5% notes due 1977. The notes were priced at 100%.

Net proceeds will be added to the company's working capital and may be used for the purchase of receivables in the course of regular financing operations, or may be used to reduce short-term loans.

Commercial Credit Co. and its subsidiaries are engaged in financing, insurance and also manufacturing. The finance companies collectively are one of the three largest enterprises in the United States engaged in the business of instalment financing, personal instalment loans, wholesale financing, accounts receivable financing, and factoring. The insurance business includes credit insurance, creditor life insurance, and fire, theft and accident insurance.

The notes may not be redeemed before June 1, 1967. On and after that date, the company may redeem the notes at redemption prices ranging from 103.25% in the 11th year to 100% in the last three years. The notes will constitute part of the superior indebtedness of the company.

As of Dec. 31, 1956, the company held gross receivables totaling $1,296,832,000. During the year, total gross receivables acquired amounted to $3,387,088,000, compared to $3,677,242,000 in 1955.

A. M. Kidder Adds

(Special to The Financial Chronicle)

LAKELAND, Fla.—Linton H. Terry, Jr. is now with A. M. Kidder & Co., Inc., 131 South Tennessee Avenue.

With Frank Edenfield

(Special to The Financial Chronicle)

MIAMI, Fla.—Albert B. Coe is now connected with Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

A. D. Laurence Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—Jack I. Cohen has become affiliated with Alfred D. Laurence & Co., 201 Southeast First Avenue.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Surely it is a momentous occurrence when H. Earl Cook, the Chairman of the Board of Federal Deposit Insurance Corporation, counsels, and even urges, bankers to increase dividends. If we go back to the depression years it will be found that the various bank supervisory authorities regarded it as little short of scandalous for a bank board to increase its dividend. At that time, the country's bank roster (excluding savings banks) was severely cut because of depositor runs and the inability of many to raise much needed new capital. But, in relation to the needs of the situation, any dividend increases would have been trivial.

Of course the reason for the surprising new approach by the head of FDIC is the need in the case of some banks of new capital. There can be no question that in some instances there is justification for the move. In many others there is not.

For example, the highest deposit: capital funds ratio (the most important statistic showing the need for the new capital) ratio of the leading New York City banks is that of Manufacturers Trust Company. As of March 31 last, it stood at approximately $13 of deposits to $1 of capital, surplus and undivided profits. Parenthetically, if we were to add to capital funds unallocated reserves, the ratio would of course be more favorable.

Now, 13 to 1 is not a ratio for anybody to become nervous over. It must be borne in mind that the New York banks are carrying large reserves purposely set aside to cover any bad loans. Also, generally speaking, maturities of Government bond holdings have been kept low. Only a few years back there were numerous deposit ratios of 16 and 18 to 1 among some of the country's large banks.

So, it is this writer's opinion that the leading New York City banks are in no sense in need of new capital. First National City Bank at March 31, 1957, had a deposit ratio of about 11.2 to 1, surely close enough to the old orthodox ratio of 10 to 1 when there was much greater risk to bank assets than there is today. City Bank's announced purpose in going to its shareholders for $120,000,000 of new capital funds is for present and future growth. The completion of this financing will give City a deposit ratio of some 9.6 to 1, assuming no material change in deposit liability.

None of this discussion, however, is to object to increased dividends. As a group, the large New York City banks are now disbursing between 62% and 65% of annual operating earnings; that is, less than two-thirds. As they have never been in sounder condition *vis-a-vis* their depositors, dividend adjustments upward from the current levels are a reasonable and logical expectation.

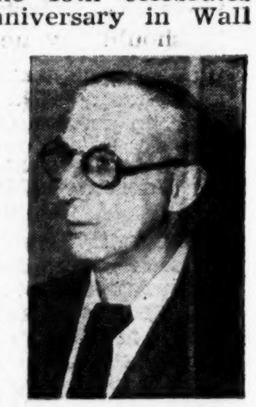
Indeed, as 1957 operating earnings are likely to top 1956 by at least 12%, many bank stock analysts look for some increases in the second half. First National City has already increased from $2.80 to $3.00, which rate is fully justified in the light of City's higher earnings — at March 31, 1957, they were 17% higher for 12 months than a year earlier.

Mr. Cook's suggestion that dividends be increased thus is more to the point for many interior banks than it is for those in New York. Certainly if First National City feels the need for new money for future expansion, how much greater the need is for Bank of America with a 14.5% to 1 ratio; or Security First with 20.2 to 1; or First National of Dallas with 14.5 to 1; or California Bank of Los Angeles with 15.6 to 1.

In other words, the New York banks are showing new highs in earnings, their deposit ratios are comfortable and their dividend pay-out ratios are sufficiently low to justify dividend increases not necessarily related to capital hikes. And, for what it counts, several of these stocks are selling below even published book values, to say nothing about their real equities. Dividend increases in this group will improve the already good yields, and they might awaken some interest in investors who too long have neglected these blue chips.

30th Anniversary for Stanley Heller Co.

Stanley Heller & Company, Members of the New York Stock Exchange, June 13th celebrates their 30th Anniversary in Wall Street. The organization has been located in its present quarters at 30 Pine Street for over 25 years. Mr. Heller, the Senior Partner and organizer of the firm, has associated with him as active partners Louis Florsheim, Milton A. Prince and Michael J. Pascuma.



Stanley Heller

The firm originally started as Curb Brokers as Members of the New York Curb Exchange, specializing in service for brokers and was known at one time as the "Brokers' Broker." Besides doing a commission business at the present time, the firm is also active in Underwritings, and in recent years developed a Stockholders' Relations Department and has aided in solidifying the position of the managements of some of America's leading corporations with the financial community.

Continued from page 16

Railroad Securities Make an Attractive Investment Medium

ment. Evidence of the conservatism of the fixed interest debt, for example, may be illustrated by the fact that it represents only between 25 and 30% of the investment in the property and the related interest charges were earned 4.6 times (before Federal income taxes) in 1956. Even the earnings for the deep depression years of 1932 and 1933 were greatly in excess of the current fixed charges of the carriers, the coverage data being 1.48 times and 1.88 times respectively. Moreover the modesty of the fixed charges is further shown by the fact that a rate of return of only 1.34% would permit fixed charges to be fully covered, disregarding non-operating income which, in 1956, was equal to three-quarters of such charges.

Another feature of investing in railroad securities is that the fortunes of the respective companies may be followed closely from month to month by virtue of the myriad statistics required to be filed with the Interstate Commerce Commission and which are made available to the public.

Despite the many inherent operational advantages and a satisfactory financial structure on the part of the railroads, many institutional investors still maintain a negative attitude towards rail securities. It would seem to me that the investment officers of institutions who purposely avoid rail securities are at this time overlooking an opportunity, especially in the case of a number of roads whose earnings and financial status have greatly improved, to realize greater income and ultimately important capital gains. In addition to these favorable investment considerations the railroad field also offers a wide choice of issues and maturities and frequently it has been possible to negotiate for private placements, usually secured by equipment, at a yield considerably in excess of the prevailing rate for a comparable security.

Increased Life Insurance Holdings

Evidently many of the life insurance companies are satisfied that railroad bonds are a safe place to invest funds, they own so many of them and such holdings increased substantially while the supply was rapidly dwindling. In 1925 life insurance company investments in railroad bonds amounted to $2.238 billion—19.8% of the total railroad bonds outstanding; by 1940 these investments had risen to $2.830 billion, 26.7% of the total outstanding amount; 15 years later, or at the close of 1955, the holdings had further increased to $3.912 billion or 46.7% of the total rail debt. Thus, between 1925 and 1955 the life insurance companies increased their railroad bond holdings by nearly $1.7 billion, during which time the industry debt was reduced from $11.305 billion to $8.375 billion.

Many of the fraternal associations, I am happy to state, have also utilized the railroad field in connection with the employment of their funds. Proportionately, your organizations have even more railroad bonds than do the life insurance companies. My studies disclose that at the end of 1955 the fraternal group had invested 7.5% of their assets in this class of security, as compared with 4.3% for the life companies. Obviously, the investment officers of the fraternal organizations whose investments include rail bonds also have confidence in the industry, and rightly so.

In my discussion thus far I have tried to highlight some of the fundamentals that make railroads, particularly their fixed interest debt, an attractive investment medium for institutional funds. My remarks were confined to the favorable factors. There is one unfavorable aspect and it is important. It is one of the principal reasons why many institutions reject all consideration of railroad securities. I refer to the unsatisfactory rate of return the carriers earn under the guidance of our regulatory agencies. However, paradoxical as it may seem, this unfavorable factor also has its favorable implications from an investor's point of view.

Favorable Paradoxical Implications

Those familiar with the history of the railroad industry will recall that it first came under the jurisdiction of the Interstate Commerce Commission in 1887. While subsequently there were many implementations of the original act, probably one of the most important was the legislation, following World War I, known as the Transportation Act of 1920. The latter act was necessary to revitalize the industry from a credit standpoint after the period of Government control and the pervasive changes in the American economy that followed the First World War. It contained a so-called "Fair Return" provision which was subsequently held to be 5¾% by the Interstate Commerce Commission. This 1920 legislation and the recognition of the necessity for a fair return gave rise to great hopes for the future credit of the industry. I believe our great reservoirs of credit, the insurance companies and savings institutions, invested the huge sums that made possible the rehabilitation and improvement program of the 1921-1930 decade, because of the confidence they placed in the 1920 act.

Although few roads during this 1921-1930 decade earned the prescribed fair rate of return, the trend of earnings generally was in the right direction. Here are the figures:

ALL CLASS I RAILWAYS

Rate of Return on Net Property Investment

1921	3.04%
1922	3.76
1923	4.66
1924	4.56
1925	5.12
1926	5.42
1927	4.67
1928	5.05
1929	5.30

For the depression period 1930 through 1940 the rate of return averaged only a little over 2.25%. Perhaps the remarkable thing was that the roads earned any return at all in view of the prostrate condition of the entire economy with its unemployment of resources, human as well as material. The heavy wartime traffic brought about a sharp rise and for the years 1941 to 1945 the return averaged 4.97%; excluding 1945 with its heavy accelerated amortization charges the return for the four year period 1941-1944 was 5.28%. The upward spiraling of prices in the post-war period reduced the return to 3.53% for the five years 1946-1950, since which time some forward progress was made; in the 1951-1955 period it averaged 3.92% and in 1956 the corresponding figure was 3.95%.

Looks Forward to Rate Increase

Naturally, the 1956 rate of return—3.95%—leaves much to be desired. However, it is anticipated that a favorable decision on a pending application for higher freight rates—a decision which is looked for in late summer—will substantially improve the net earnings of the carriers. I might add that had the industry in 1956 received 12% more for the work it performed in freight service the rate of return would have been 6%.

At the present time, therefore, the railroad industry creditwise is in much the same position as obtained back in 1920 and as occurred in the immediate post War II period. Once again it has to contend with a rise in the price level without the benefit of compensating increases in rates and charges for services rendered; it requires large sums for further modernization and to effect economies to offset cost increases. The necessary funds to carry out the program of desirable property improvements will either have to be generated internally or derived partially from operations and in part from new capital. In either event, rest assured the improvements will be made but if the funds are to come solely from operations the time element will be greater.

Advances Mortgage Bonds

Most railroad mortgage bonds, especially fixed interest issues, are sound loans for a number of reasons, amongst which are the following:

(a) The security for the loan is represented by a lien on facilities that are absolutely essential, if not indispensable.

(b) They are outstanding at an extremely low rate in relation to the investment in facilities.

(c) Earning capacity, actual and prospective, is considerably in excess of the amount necessary to service the debt.

(d) Regulatory agencies cannot deny rates and charges necessary to service the debt, such requirements being so relatively small in terms of property investment.

Now then here is an industry, absolutely essential to the economy of the country, regulated only because of the stranglehold it has on the everyday life of the individual, an industry whose fixed charges require a return on the net investment in facilities of only 1.34%. Should this industry experience any difficulty in servicing its debt? Of course not.

Now I cannot believe that the Congress of the United States nor the regulatory agencies actually desire to confiscate these great railroad properties. Neither do I believe that the corporate interests nor the public generally want to see the properties confiscated to the point where the Government would have to step in and assume the responsibility of maintaining an adequate system of rail transportation. Therefore, in my opinion, it seems only logical to conclude that the railroad industry can be just as strong and healthy as is necessary to satisfy our peace-time economy and wartime necessities. I am hopeful that the Congress, in cooperation with the regulatory agencies, will eventually be sufficiently realistic to ease the burden of regulation so that competitive influences may prevail. This approach involves a process of education and should ultimately lead to the adoption of legislation similar to that now pending, embodying the recommendations contained in the report prepared by the Presidential Advisory Committee on Transport Policy and Organization.

The foregoing remarks, although directed towards the industry, apply with equal force to most of the larger roads and many smaller ones as well. The point I am trying to make clear is that there is no economic barrier to a healthy railroad situation generally.

Position Greatly Improved

The railroad industry is today far stronger than it was a quarter of a century ago. The recent record of managerial accomplishments, technological development, financial rehabilitation, etc. will continue, thus enabling the carriers to fully participate over the next two decades in what is expected to be America's golden age of prosperity. Moreover, the recent attitudes of the regulatory authorities toward abandonments of unprofitable services, as well as their attitude on rates, may well presage a political and social environment under which the solid economic strength of the carriers will show to best advantage in a competitive enterprise economy. So it is with confidence in the future that I commend the railroad industry as both a prudent and profitable area for the employment of investment funds.

Continued from page 4

The State of Trade and Industry

of April on the department's seasonally-adjusted scale. This was an increase of $100,000,000 over a month earlier. Stocks held by durable goods manufacturers rose $200,000,000 to account for the increase.

The department noted the inventory rise stemmed mainly from higher prices and was about the same as in the earlier months of this year. However, the report added, the average monthly inventory increase last year was about $500,000,000.

In the automotive industry new car sales for the month of May climbed to 532,100 units from 515,500 in April, paralleling the 531,000 in May last year, "Ward's Automotive Reports" declared on Friday of last week.

"Ward's" said the strong sales were capped by May 21-31 sales that topped any 10-day period since late 1955, the industry's record year, paving the way for continued strong factory operations during June.

Average sales for the May 21-31 period were placed at 23,100 units daily, compared with the entire 1956 peak of 22,200 set in the same period last year.

Reflecting the brightening sales, the industry is scheduling 517,000 cars for completion in June. The volume is 20% over the 430,373 for June last year and is in keeping with the goal to bring the January to June auto building for United States plants 6% ahead of the year-ago pace.

United States factories, operating at the scheduled rate for June, built an estimated 130,515 passenger cars last week and compared with 82,431 in holiday-shortened period the week before and 104,984 in the same week last year.

May auto output was placed at 531,300 units by "Ward's," or 12.6% above the 471,673 for the same month in 1956. May truck output totaled 100,780 this year and 96,232 last year.

The statistical agency said June operations are marking a return to overtime assembly, with Ford plants in New Jersey and California and Chevrolet units in New York and Maryland scheduled to work on Saturday, last.

Similar plans by Plymouth and Chrysler divisions were threatened last week by parts shortages stemming from a wildcat strike at the Chrysler Corp. Eight Mile Rd. plant in Detroit. Work plans hinged on supplies. Dodge and De Soto plants in Detroit were on four days the past week due to after-effects of the previous week's Budd Co. strike. The Mercury factory in Wayne, Mich., also worked four days a week ago.

Consumers added $259,000,000 to their instalment debt in April, the Federal Reserve Board currently reports. The increase was less than during the like month of the preceding two years.

Last year instalment debt rose $307,000,000 in April, while the increase two years earlier amounted to $551,000,000.

Instalment debt outstanding totaled $31,500,000,000 at the end of April, the report states. This was an increase of $2,100,000,000 over the like period a year earlier.

April's climb was the largest monthly increase of the year, but debt normally increases during the spring auto-buying season. In March the debt increase amounted to $40,000,000, while February and January each showed declines.

The board's report showed auto credit increased $158,000,000 in April and personal loans rose $122,000,000. In the like month of last year, auto paper increased $149,000,000 and personal loans rose $109,000,000.

Total consumer debt outstanding increased to $41,000,000,000 at the end of April, the board states. This was an advance of $512,000,000 during the month, compared with a $461,000,000 increase a year earlier.

At the same time, the report adds, consumers paid off $3,300,000,000 of their debt in April. This was about the same as March repayment but was $300,000,000 higher than a year earlier.

The nation's crude oil stocks went up to 269,124,000 barrels during the week ending June 1, the United States Department of the Interior reported.

The domestic inventory represented a gain of 3,663,000 barrels from the previous week. The agency said domestic crude stocks accounted for 2,667,000 barrels of the increase, while foreign crude represented the remainder.

Steel Operations Expected to Rise to 88.2% of Ingot Capacity This Week

On Monday of the current week, "Steel" magazine asked its readers to watch for a strong resurgence in steel demand and production before long, adding that a record rate of steel consumption and a pickup in orders for products of many metalworking companies suggest it's in the making.

The record rate of steel usage, it pointed out, is shown by the Federal Reserve Board's index of metal fabrication. In the first four months of this year, it averaged 179% (1947-1949=100). In the first four months of 1955 (the record steel production year), it averaged 157.5% and in 1956, 169%.

Even though steel consumption is up markedly, demand and production have lagged in 1957. Consumers have been living on inventories to a considerable extent, this trade weekly reported.

Production is on the uptrend now, according to "Steel." For the second consecutive week, steel ingot production moved up-

ward from the year's low mark of 84% of capacity. A two-point rise in each period pushed the rate to 88% in the week ended June 9. This would yield 2,252,351 net tons.

The upturn, it continued, stems from buying to beat a mid-year steel price increase, completion of inventory reductions by some consumers and improved business at numerous metalworking plants.

The scrap market last week continued to express confidence that steel production will strengthen. For the sixth consecutive week, the publication's price composite on steelmaking scrap rose from the year's low point of $42.50 a gross ton. In the week ended June 5, it climbed to $52.33, an increase of $5.33.

If the metal fabricating industry continues its record pace, it will soon deplete its inventories and have to come into the market for steel. Many industry people report an increase in incoming orders.

Steel prices remained firm. In the week ended June 5, "Steel's" finished steel base price index held at $140.24 a net ton where it has been since May 1. European producers have cut their prices again as a result of the plentifulness of steel in the United States. Reductions range from 40 cents a ton to $11. Prices of titanium produced in the United States have gone down again. The latest reduction, averaging 10%, stems from technological advances in production and high output, this trade weekly states.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 88.2% of capacity for the week beginning June 10, 1957, equivalent to 2,257,000 tons of ingot and steel for castings, as compared with 87.5% of capacity, and 2,240,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 84.2% and production 2,155,000 tons. A year ago the actual weekly production was placed at 2,299,000 tons or 93.4%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Expands in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 8, 1957, was estimated at 11,550,000,000 kwh., according to the Edison Electric Institute. Output was stepped up in the past week following the extended Memorial Day holiday weekend.

The past week's output increased 614,000,000 kwh. above that of the previous week; it rose 599,000,000 kwh. or 5.5% above the comparable 1956 week and 1,509,000,000 kwh. over the week ended June 11, 1955.

Car Loadings in Memorial Day Holiday Week Dropped 7.1% Below the Preceding Period

Loadings of revenue freight for the week ended June 1, 1957, which included Memorial Day Holiday decreased by 51,118 cars or 7.1% below the preceding week the Association of American Railroads reports.

Loadings for the week ended June 1, 1957, totaled 671,785 cars, a decrease of 47,424 cars, or 6.6% below the corresponding 1956 week and a decrease of 37,566 cars, or 5.3% under the corresponding week in 1955.

U. S. Automotive Output Rebounded to Higher Levels Last Week Following Memorial Holiday Period

Automotive output for the latest week ended June 7, 1957, according to "Ward's Automotive Reports," rebounded sharply to higher levels following the long Memorial Day Holiday week-end.

Last week's car output totaled 130,515 units and compared with 82,431 (revised) in the previous week. The past week's production total of cars and trucks amounted to 154,207 units, or a gain of 54,257 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 23,692 trucks made in the United States. This compared with 17,519 in the previous week and 21,480 a year ago.

Last week's output rose above that of the previous week by 48,084 cars, while truck output increased by 6,173 vehicles during the week. In the corresponding week last year 104,984 cars and 21,480 trucks were assembled.

Canadian output last week was placed at 8,550 cars and 1,981 trucks. In the previous week Dominion plants built 8,686 cars and 2,232 trucks, and for the comparable 1956 week, 10,289 cars and 2,412 trucks.

Business Failures Turn Moderately Upward In Post-Holiday Week

Commercial and industrial failures rebounded to 289 in the week ended June 6 from the Memorial Day Holiday low of 225 in the preceding week, Dun & Bradstreet, Inc., reports. The toll exceeded the 257 last year and the 230 in 1955. Failures were 4% above the prewar level of 279 in the similar week of 1939.

The week's increase occurred among casualties involving liabilities of $5,000 or more, climbing to 251 from 185 in the previous week and 220 a year ago. Small failures with liabilities under $5,000, dipped to 38 from 40 although remaining above the 37 of this size in the previous year. Twenty-five of the failing businesses had liabilities in excess of $100,000 as compared with 15 a week ago.

Wholesale Food Price Index Advanced Further The Past Week

There was a noticeable rise last week in the wholesale food price index, compiled by Dun & Bradstreet, Inc. On June 4 the index registered $6.20 for an increase of 1.5% over that of the preceding week and 0.3% higher than the $6.18 of the comparable date a year ago.

Higher in price last week were wheat, rye, bellies, steers, hogs, lambs, lard, sugar, coffee, cottonseed oil, cocoa and rice. Lower in wholesale cost were corn, oats and barley.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Made Slight Gains in Past Week

Although there was a slight rise in the Dun & Bradstreet daily wholesale commodity price index last week, it remained below that of a year ago. The index closed at 286.59 on June 3, comparing with 285.92 a week earlier and 288.09 on the corresponding date a year ago. Price increases on steel scrap, tin, livestock and flour offset declines on some grains, silver, rubber and potatoes.

Despite unfavorable weather conditions delaying crop planting in many regions, grain buying was sluggish in the week and some prices declined. Corn trading fell noticeably, resulting in an appreciable decline in prices. Damaging rains in the winter wheat belt encouraged buying and prices climbed moderately.

Exports of wheat and flour two weeks ago amounted to about 8,175,000 bushels boosting the total for the season so far to 488,750,000 bushels, considerably over that of the comparable period last year.

Total wheat exports this year are expected to reach about 500,000,000 bushels, noticeably exceeding earlier forecasts.

Average daily purchases of grain and soybean futures on the Chicago Board of Trade totaled about 36,000,000 bushels, compared with 40,000,000 bushels in the prior week and 51,000,000 bushels a year ago. While soybean purchases were noticeably below those of a year ago, there was a sharp year-to-year gain in the buying of rye.

Flour trading lagged again during the week, but prices rose slightly. Except for a moderate rise in trade with Venezuela, the flour export market was quiet. Flour receipts at New York railroad terminals on Friday of the preceding week totaled 86,160 sacks including 67,980 for export and 18,470 for domestic use.

Reports that the Brazilian Government will set a minimum price for sales of cocoa to the United States noticeably stimulated trade last week and prices rose fractionally.

Warehouse stocks of cocoa fell moderately to 264,740 bags, as against 363,528 bags a year ago. While coffee futures prices climbed somewhat, cash prices continued at the levels of the preceding week.

Hog prices rose noticeably reaching the highest levels in almost two years. This was a result of increased demand and a decline in hog receipts. There was a substantial rise in cattle prices, as receipts in Chicago were curtailed. Lamb prices remained close to those of the previous week. Following the rise in hog prices, lard futures prices advanced considerably. Factory and warehouse stocks of lard at the end of May totaled about 128,000,000 pounds compared with 226,000,000 last year.

Although cotton trading expanded at the beginning of the week, it slackened at the end of the period. Continued unfavorable weather in growing areas helped cotton prices remain at the levels of the preceding week. While trading in cotton gray goods slackened, prices held steady. Bookings in man-made fibers and industrial fabrics increased again during the week.

Trade Volume Turns Slightly Lower in Holiday Week

Contrasting with the slight dip in total retail sales, attributed to the long holiday week-end, there was a moderate rise in consumers' purchases of both new and used cars the past week. With the exception of major household appliances, home furnishings sold well, with emphasis on outdoor furniture. Discounts were widely prevalent for most major appliances and retailers generally increased their advertising in an effort to reduce slow-moving inventories. Retailers in some areas were mystified by the contra-seasonal lack of interest in air conditioners. Summer dresses, sportswear and bathing suits sold well in most areas. Food volume remained high, with gains in picnic specialties, baked goods and soft drinks.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% above a year ago, according to spot estimates from Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England, Middle Atlantic and South Atlantic —1 to +3; East North Central —1 to —5; West North Central —2 to —6; West South Central —3 to +1, East South Central and Mountain —2 to +2 and Pacific +2 to +6%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 1, 1957, rose 1% above the like period last year. In the preceding week, May 25, 1957, a decrease of 1% was reported. For the four weeks ended June 1, 1957, no change was recorded. For the period Jan. 1, 1957 to June 1, 1957, an increase of 2% was registered above that of 1956.

Retail trade volume in New York City the past week reflected gains of 4% to 6% above the similar period of 1956, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 1, 1957, rose 4% above that of the like period of last year. In the preceding week, May 25, 1957, an increase of 1% was reported. For the four weeks ending June 1, 1957, a gain of 4% was registered. For the period of Jan. 1, 1957 to June 1, 1957, the index recorded a rise of 4% above that of the corresponding period in 1956.

With Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Frank B. Emmerling is now associated with Beil & Hough, Inc., 350 First Avenue, North, members of the Midwest Stock Exchange. He was formerly with Goodbody & Co.

Join A. D. Laurence

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Jack Golcomb, Yvette I. Hammer, Sidney Hausman, Morgan W. Hooker and Leonard M. Rosenberg are now with Alfred D. Laurence & Co., 201 Southeast First Avenue.

Sumner B. Emerson President of N. Y. Bond Club

Sumner B. Emerson of Morgan Stanley & Co. was elected President of The Bond Club of New York to succeed Robert J. Lewis of Estabrook & Co. The election and annual meeting took place as one of the main events of the Bond Club Field Day at The Sleepy Hollow Country Club. Harold H. Cook of Spencer Trask & Co. was elected Vice-President to succeed Mr. Emerson. Robert M. Gardiner of Reynolds & Co. was elected Secretary and John W. Callaghan of Goldman, Sachs & Co., Treasurer.

Sumner Emerson

Three new members of the board of governors were elected for three-year terms. They are: Leonard D. Newborg of Hallgarten & Co.; Blancke Noyes of Hemphill, Noyes & Co. and Robert A. Powers of Smith, Barney & Co. Winners in the annual golf competition were:

Ex-President's cup for low gross—James F. Burns 3rd, Blyth & Co., Inc., and Lee P. Stock, Jr., Bankers Trust Company.

Candee Cup for low net—Elmore C. Patterson, J. P. Morgan & Co., Incorporated, and Dudley N. Schoales, Morgan Stanley & Co.

Christie Cup for match play against par—Clarence W. Bartow, Drexel & Co., and David B. McElroy, J. P. Morgan & Co. incorporated.

Tennis match was won by David Evans, American Metals Company, Ltd., and Enos Curtis, with a score of 6-0, 11-9, in play against Donald Stralen, Hallgarten & Co. and Leonard A. Frisbie, Leonard A. Frisbie & Co.

Frumin Named V.-P. Of Moreland Co.

DETROIT, Mich. — Murray Frumin has been elected a Vice-President and Director of Moreland & Co., it was announced by Mr. Paul I. Moreland, President.

Mr. Frumin, a registered representative with Moreland & Co. since 1953, entered the securities business shortly after his graduation from the University of Michigan in 1948.

During World War II, Mr. Frumin served in the Army Air Force Weather Observer Corps. His current civic activities include a Divisional Chairmanship in Detroit's United Foundation Torch Drive.

Matalene Director

Eastern Stainless Steel Corporation has announced that E. M. Matalene, New York investment banker, has been elected to the company's board of directors.

He is a general partner in the investment banking firm of Hornblower & Weeks, New York City.

With J. W. Gould

John H. Sloan, formerly with A. M. Kidder & Co., and Sloan & Sloan, has become associated with J. W. Gould & Co., 120 Broadway, New York City.

Joseph Hewitt

Joseph Frederick Hewitt passed away June 8 at the age of 71 following a long illness. In the past Mr. Hewitt was in the investment business in Wall Street.

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Effect of Tight Money Upon Municipal Borrowings

the stabilizing policies of the Federal authorities than is generally known. On the other hand some borrowers, notably well-established business firms, continue to secure funds with relative ease since they are able to pass on the higher interest costs to the consumer.

I believe there is ample justification for Federal consideration of the problem of local government financing separately from other monetary policy considerations. Certainly, a fundamental issue of public policy is involved. Should the benefits of new schools, new roads, new hospitals be denied to us simply because public borrowers are at competitive disadvantage? Should not steps be taken to make it easier to secure funds for these purposes without sacrificing the benefits of credit restraint? A re-evaluation of the role and goals of monetary policies is in order.

Proposed Correctives

As a first step I would suggest that Federal action be taken to increase investor participation in the municipal market to more closely equate supply with demand. One means is through use of the Federal Reserve's discount operations. At present, commercial banks can borrow from Federal Reserve banks at a rate of 3% if they use as collateral Federal obligations and eligible commercial paper. All other types of acceptable collateral are discounted at a rate at least half per cent higher. Thus, if a bank wishes to borrow from the Federal Reserve and use municipal obligations as collateral, it pays at the higher rate. Municipal obligations should be afforded treatment similar to that given to Treasury securities and discounted at the 3% rate. This should stimulate commercial bank participation in the municipal bond market.

Another approach that should be given consideration is to require member banks of the Federal Reserve System to hold a certain percentage of their reserves in municipal obligations. At present, in New York State, the municipal holdings of State-chartered banks range from one-tenth of 1% to 20% of assets. A similar range probably exists with respect to nationally chartered banks. I recognize that individual banks have individual situations to meet, but consideration might be given to a modest requirement of investments in municipal bonds which would not significantly curtail their other loan activities.

At present there is a bill before the House Ways and Means Committee which would permit regulated investment companies holding securities of state and local government to pass the interest from such securities through to their shareholders in its tax-exempt form. Passage of this legislation, which is merely the extension of the "conduit theory" of taxation that now applies, would open an entirely new buyers' market for municipal obligations, one of major importance as indicated by the interest being generated among investment companies. This is an important way of making sound, flexible and imaginative use of the financial institutions that have been developed to provide capital funds.

Municipal bond funds should appeal to those investors who cannot make substantial capital investments but to whom the tax advantage of municipal obligations make them attractive investments.

One other legislative measure now before Congress deserves brief comment. H. R. I—the Federal aid to school construction bill, amended as a compromise, although providing less than the original measure is nevertheless a worthwhile step forward. Passage of the bill would signify Congressional recognition of Federal responsibility in this important area.

While the approaches I have suggested should aid in easing the situation, consideration might be given to resumption of the voluntary credit restraint program operative in 1951. Such a program would supplement general methods of influencing credit and provide our national policy with the flexibility it needs to deal with emergency situations. A voluntary restraint program dealing with the qualitative rather than the quantitative aspects of credit would not add to the money supply. It would serve merely as direction signals for the flow of credit resources.

The Federal Reserve could obtain the cooperation of all lending institutions in screening credit requests on the basis of purpose as well as credit worthiness. A statement of aims and principles prepared by the representatives of these institutions could provide standards to be applied in granting credit requests and specify which areas of the economy are to be encouraged.

I believe our experience with this form of selective credit control shows that it can be a useful complement to the older and more general instruments of discount operations, open market operations and reserve requirements.

On the State level, New York is doing everything it can to seek a solution to the problem of financing municipal construction at reasonable interest costs.

New York's Assistance

One phase of our activity is the promotion of an informational program aimed at stimulating investor-interest and knowledge of municipal obligations. My office prepared a number of publications setting forth the attractiveness and intrinsic value of New York State school district obligations.

We also stand ready to assist municipal borrowers with their financing problems. We are often consulted on a variety of matters usually pointed to the making of intelligent market decisions.

This year a law was passed in New York to allow municipalities to extend the life of temporary financing through bond anticipation notes from two to five years. While I have some reservations with respect to the fiscal soundness of this privilege and some concern over the danger of allowing school board officals to speculate in the market I nevertheless recommended its approval by the Governor. I did so because it does permit some flexibility in the timing of bond sales.

A recent expedient which I have resorted to with much success has been secondary support of the municipal bond market. As sole trustee of the New York State Employees' Retirement System, with assets of some $1 billion, I have made substantial purchases of such securities. This action has, in several instances, encouraged the submission of bids on issues that would otherwise have gone unsold. I also believe that knowledge of this market has served to lessen dealer concern over risk—an important factor in the pricing of bids. During the fiscal year ended March 31, 1957 purchases for the Retirement System of school bonds alone totalled nearly $28 million or about 142% of all upstate school bonds issued during the year. I have not bid directly on issues primarily because as sole trustee of the Retirement System I am duty bound to seek the highest return the market affords. I also declined to bid because of my desire to obtain the widest distribution of municipal bonds.

Marketing School Bonds

Finally, I would like to discuss my efforts to provide a new mechanism for the marketing of school bonds — one which would have mitigated the effect of the money market.

A committee, appointed by Governor Harriman, of which I had the honor to be Chairman, submitted a series of legislative recommendations which called for the creation of a Financing Authority to purchase school district obligations and to finance such purchases by the issuance of its own bonds. I believe this to be a unique approach, taken after the Committee had given careful study to the programs of some 30 other states which support the financing of school construction.

We felt that the Authority could sell its bonds at a better rate than could the individual district and we expected to pass this savings on to them. To assure a more favorable rate, a reserve was to be established for the Authority which would guarantee the full payment of interest and principal on its obligations of 12 months. In addition, the Authority would have had first lien on the extensive state aid monies for education. These funds would have been paid directly to the Authority in case of a default on any school district bonds held by the Authority. It was also felt that the State-wide designation would provide a national market not available to most of our individual school district issues.

The full faith and credit of the State was not used to guarantee the Authority's obligations. Such action would require a constitutional amendment which in New York State must be voted upon by two successive Legislatures and then submitted to the voters. This is an immediate problem and not to be solved by action that would take three years. We also felt that this step was not necessary to achieve our objective and that any additional benefit that might have been gained in terms of even lower rates might be offset by the effect such action would have on other borrowing operations of the State. I am ever mindful of the strain being placed on the credit of the State of California by its sale of some $500 million in full faith and credit school building aid bonds during the past few years.

The Authority was to be a voluntary program and its use was to be at the initiative of the local borrowers.

Although the plan received widespread support among organizations in and out of the State, it was never allowed to leave a committee of the Legislature. State politics played an important, if not deciding role, in this action. I am convinced of the value of such an Authority. I believe it to be superior to programs of state-supported bond issues and state construction and lease back of schools. The plan will again be submitted to the State Legislature in 1958.

In conclusion let me say that there is no one quick overall solution to the financial problems faced by local government today short of the introduction of selective credit controls. There are, however, areas in which both the Federal and State governments can do important and constructive work. I would be particularly interested in the matter of simplification of bond sale procedures; new methods of marketing such obligations; nomenclature and area designations; and the role that should be played by the various levels of government.

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Prospects for Petroleum Both Here and Abroad

to certain basic principles of international relations — chief among them, the sanctity of contracts.

If underdeveloped countries are to raise their living standards, they must realize that potential investors — whether in the petroleum industry or any other industry—can do business only with those governments which are absolutely reliable with regard to the fulfillment of their commitments. No competent management can afford to risk stockholders' funds in countries whose records are stained by broken contracts and instances of bad faith.

Those nations which have achieved independence must recognize that sovereignty carries with it not only privileges, but also responsibilities. In their own self-interest, independent nations must do everything possible to create an atmosphere of stability for business enterprises which will help to develop their natural resources and improve their economies.

These countries have another equally important obligation: to apply the revenues obtained from foreign investment to productive uses within their own borders. In this regard, I believe the Middle East has suffered from some rather exaggerated stories, featuring the theme of fancy automobiles and plush palaces. The fact is that a great deal of constructive and forward looking work is being financed in this area. Iraq has a comprehensive development program, and Iran is promoting similar long-range activities. In Saudi Arabia, schools are being built faster than teachers can be found, and hospitals faster than doctors and nurses can be obtained. All-out campaigns are being waged against diseases which have been the scourge of the country for generations, particularly malaria and trachoma. Everything considered, I think it is remarkable that these countries are moving into the 20th century at such a rapid pace.

So far we have been talking about the responsibilities of foreign governments in attracting American capital investment. There are responsibilities at this end of the line, as well: if American industry is to invest abroad, it must be encouraged to do so by recognition here at home of certain basic factors pertaining to foreign operations. It must be recognized that such operations are long-range, that they are filled with risk, and that the road to profits is often paved with disappointment.

Many people — including some who should know better—are of the opinion that foreign operations are less expensive than domestic operations, and therefore—in the case of the petroleum industry—foreign oil is "cheap" oil. Anyone in the industry who has producing operations abroad can tell you that this is far from the case.

Recognition must also be given the fact that profits of international companies — which some critics claim are exorbitant — must be viewed from the point of view of the financial requirements of such enterprises. The problem is to earn enough to provide stockholders with a reasonable return on their investment, and at the same time help provide the increasingly large funds needed for capital expenditures in this country and abroad.

Recently another issue has been raised which is of extreme importance to any individual or company doing business abroad. I refer to the move to increase United States income taxes on income derived from foreign operations. That this should be a current issue is somewhat surprising. It has long been a policy of our government to encourage businessmen to invest and operate abroad. Since 1918 our income tax laws have provided that no U. S. citizen or corporation should have to pay full U. S. income taxes on top of foreign taxes already levied on the same income.

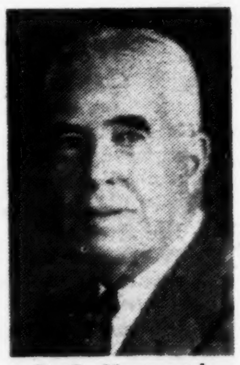
For almost 40 years this tax provision has insured that U. S.-owned businesses abroad could compete on an equal basis with foreign corporations which pay only local taxes. By the same token, it has prevented those businesses from having to bear a far heavier income tax load than comparable and competing businesses operating only in this country. Those who advocate increasing taxes on foreign income must surely realize that what they are supporting is double taxation at its worst. Not only would this be patently unfair, it would substantially impair the incentive for American companies to make continuing investments abroad.

Earlier I commented on the fact that the world is growing smaller and the lives of men are becoming increasingly interdependent. American enterprise has been a major factor in this revolutionary process. Our business and industrial community has spread its activities to the four corners of the earth with great skill and undaunted spirit. Not only have many staunch friends been won for this country, but whole ways of life have been altered in many distant lands by their operations.

International trade and commerce, in brief, is one of the foundation stones upon which the United States has built its prosperity, its security and its position as the most influential nation in the world today.

E. E. Hammond Heads NASD Finance Comm.

WASHINGTON, D. C. — Frank L. Reissner, chairman of the Board of governors, National Association of Securities Dealers, announced the appointment of Edmond E. Hammond as chairman of the association's finance committee. Mr. Hammond, a governor of NASD and partner in Paine, Webber, Jackson & Curtis, Boston, succeeds as committee chairman the late Newton P. Frye, former chairman of the board of Central Republic Co., Chicago.



E. E. Hammond

Joins Thill Securities

MILWAUKEE, Wis. — Reed Austin is now with Thill Securities Corporation, 704 North Broadway.

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Business Implications of Expected Population and Income Changes

look the fact that the same population waves which will stimulate new market opportunities may well also bring about some far-reaching changes in political thinking affecting the social environment within which business will operate. As an illustration, would you agree that some changes in legislation pertaining to business would result from widespread adoption of full voting rights for 18-year-olds?

Educators' Rising Importance

But let's focus attention on more certain developments. The problems in education posed by mounting numbers of junior high, senior high, and college age students point to a further enormous increase in the prestige and power of educators over the next decade. In my judgment, the "gown" is likely to recoup much of its former status in the community which has become overshadowed by the "town" group during the past 20 years.

The aging of our population, especially pronounced in the projected rise in persons over 65 years of age, is likely to have significant political implications. Can major continuing tax reductions for business or individuals really be in prospect to the extent that social security and allied health and welfare programs are progressively liberalized in the face of mounting political pressure by older voters? These limited illustrations merely suggest some of the broadest kinds of changes in public policies which are likely to follow from the expected shift in population age distribution over the next decade.

Internal Operations

The internal operations of most businesses also cannot escape the effect of future population changes. As one small item—the demand for summer jobs will be simply terrific. Far more important to management, there will be a sustained and pressing need for skilled and experienced workers. At a time when early retirement demands may be rising, businesses may be less able to lose valued older workers. Industrial relations problems promise to become more complex. Can managements find new ways to strengthen their positions around the bargaining table when skilled workers are so scarce and other employees want more benefits but more leisure too? What will be the management's answer to even more "raiding" by companies desperately short of managerial skills? Will it be necessary to urge former women employees to return to work after their children are well established in school? In short, the prospects seem fairly clear that there will be increasing numbers of people living in or near the business community but whether the supply of skilled and experienced workers will be adequate is far from certain. Management incentive to mechanize plant and office operations can only grow.

More implications for management from anticipated population changes might be mentioned, but now let's consider what repercussions may arise from the projected changes in income. Here again, important developments can be foreseen "outside" as well as "inside" the company.

Rising incomes generally, and more specifically the steady advances in family incomes from bracket to bracket, obviously have had a profound effect upon American markets during the postwar years. It is well recognized that a near revolution has taken place in income distribution over recent decades. Important further income gains are in sight, as noted earlier. It is unlikely, however, that the next 10 years will see quite the same favorable economic impact of relative income gains as marked the earlier postwar movement of millions of families from income-spending levels providing largely for basic necessities to much higher levels affording wide discretionary spending for modern conveniences and luxuries. This is not to imply that increased incomes will have little future effect on business. On the contrary, advancing incomes in the absence of inflation are essential to the future growth of the economy.

Other Income Implications

From a management standpoint the most important implications of further income gains would seem to involve (1) acceleration of consumer and business demands for something "new" and for improved quality; (2) relentless demands of employees for still higher wages, salaries, and fringe benefits; and (3) shifts in the availability of long-term funds to finance future expansion into the hands of pension trusts and allied institutional investors.

Research studies in recent years have revealed an important change in the attitude of many consumers toward the goods and services which they buy. No longer do shortages dominate consumer thinking; no longer does the average family feel committed to buy through distribution channels just as the manufacturer or wholesaler deems best; rather, the average buyer is definitely becoming more selective in what and where he buys. Almost any consumer product which now looks or performs substantially as it did before World War II—or even just a few years ago—is rapidly on its way out, if indeed it has not already disappeared from the market.

Consumer emphasis is upon "newness" in product selection to a degree at least as high as at any previous time, and the outlook is for this attitude to persist and strengthen. Obviously behind this viewpoint lies greater ability to be more selective because of higher income. Equally important to management, however, is the noticeable tendency among families with higher incomes to insist more and more upon recognized quality and typically branded merchandise so long as the latter continues to be competitive in style, performance, and value. This does not imply any guarantee for the survival of well-known or "big" companies, however. In short, the odds are very strong that the projected increases in income for the next decade will mean an acceleration of obsolescence in consumer markets—with an obvious carry-back effect upon manufacturer and distributor practices and policies. "Trade-up" should become an even stronger keynote in product development and merchandising. Business success will depend increasingly upon better knowledge of markets and the introduction of products which have well above average prospects of high consumer acceptance.

Rising Costs and Opportunities

I recall with mixed emotions that the typical wage and salary earner (including myself) has received successive increases in income for at least 17 years. It's only human to want more income; it's equally human for management to wonder more and more where the money is going to come from to pay ever higher wages and salaries, especially when profits are being squeezed. When looking forward to the next 10 years, let us not underestimate the power of sheer precedent or "momentum" in wage and salary demands. A company may well have to experience substantial declines in profits for more than one year before it can expect reduced union demands for higher wages and benefits. Who is to say labor costs will not become increasingly "fixed" rather than "variable" as well as rising over the next decade? In these circumstances, can management afford not to study its future labor requirements with increasing care to insure that every effort is made to improve productivity? Management faces an allied problem to the extent that "automatic" pay increases are allowed to become a substitute for "merit" raises, and "across-the-board" increases are permitted to undermine pay differentials between jobs of varying skills. Yes, personal income gains over the next 10 years will involve rising costs at least as much as opportunities for expanding markets.

Will "tight money" conditions such as at present persist during the next decade? This is a very debatable subject, but I personally believe that money will **average** a good deal tighter over the next 10 years than during the past 10. There will be considerable variation of course around this average. In any event, to keep the general economy and businesses expanding at recent rates is going to require a great deal of money. In all probability, more funds will be needed than can be generated from within business organizations, especially under present tax laws. Rising incomes provide considerable comfort in meeting this problem. But there still remains the crucial question of how much of the projected larger incomes will be saved and how will the funds be channeled into business? All that can be said here is that continued institutionalization of savings through pension and allied funds will have a profound and growing impact upon business finances. The economic and political overtones of future trust investment policies and the degree of exercise of voting power by professional institutional investors through their mounting stock holdings are not to be dismissed lightly by any management planning its strategy for the next decade. If there ever was a time when attention to longer-range financing was important, it is now. A growing economy with rising incomes will demand much more in the way of new products and services. All this cannot be achieved without adequate financing. The key to financial success obviously lies in profitable operations. Closely allied and highly important will be ability to compete for the institutionalized savings of the same people whose incomes will be advancing.

Let me repeat my plea for all of us to be realistic—rather than pessimistic or optimistic about the decade ahead. Certainly, the opportunity for profitable growth will be at hand—almost everywhere. That's all any management can really expect. Moreover, if there were no difficult problems to solve, there wouldn't be any real need for most of us. Accordingly, I'm happiest making a forecast of growth **and** problems rather than one predicting their absence. Make no mistake, we'll have both over the next 10 years.

John P. Marsh

John P. Marsh passed away June 2 at the age of 83. Mr. Marsh was founder of the investment brokerage firm of John P. Marsh & Co., of Chicago.

Committees Announced for 83rd Annual Convention of ABA September 22-25

Committees, representing New Jersey banks, for the 83rd Annual Convention of the American Bankers Association, which will be held at Atlantic City, N. J., Sept. 22-25, were announced today.

Membership of the Committees includes the following:

Cooperating Committee

George Munsick, President, Morristown Trust Company, Morristown, Chairman.

Charles A. Eaton, Jr., Vice-President, Fidelity Union Trust Co., Newark, Vice Chairman.

Cowles Andrus, President, County Bank & Trust Co., Passaic.

Charles E. Clifton, President, The Trust Company of New Jersey, Jersey City.

Robert G. Cowan, President, National Newark and Essex Banking Company, Newark.

H. Douglas Davis, President, Plainfield Trust Co., Plainfield.

Roy F. Duke, President, Fidelity Union Trust Co., Newark.

Robert J. Kiesling, President, Camden Trust Company, Camden.

William J. Kinnamon, Executive Vice-President, Hunterdon County National Bank, Flemington.

Elwood F. Kirkman, President, Boardwalk National Bank, Atlantic City.

Henry Knepper, President, First Camden National Bank and Trust Company, Camden.

William L. Maude, President, Howard Savings Institution, Newark.

William K. Mendenhall, Executive Vice-President, New Jersey Bankers Association, Princeton.

F. Raymond Peterson, Chairman, First National Bank and Trust Company, Paterson.

John P. Poe, President, First National Bank, Princeton.

Mary G. Roebling, President and Chairman, Trenton Trust Company, Trenton.

Frank W. Sutton, Jr., President and Trust Officer, First National Bank, Toms River.

Frank A. Weber, President, Garden State National Bank, Teaneck.

Hotel Committee

Walter E. Beyer, Vice-President and Trust Officer, Boardwalk National Bank, Atlantic City, Chairman.

Richard L. Meyer, Vice-President, Guarantee Bank and Trust Company, Atlantic City, Vice-Chairman.

Mrs. Lucy Braddock, 16 Central Pier, Atlantic City, Secretary.

F. Palmer Armstrong, Chairman, Monmouth County National Bank, Keyport.

Sylvan G. Fletcher, Vice-President and Treasurer, Camden Trust Company, Camden.

Ernest R. Hansen, Treasurer and Trust Officer, Perth Amboy Savings Institution, Perth Amboy.

Meeting Places Committee

Bruce P. Dimon, President, National Bank of Ocean City, Ocean City, Chairman.

J. Milton Featherer, Cashier and Trust Officer, Penn's Grove National Bank and Trust Company, Penns Grove.

John W. Kress, Executive Vice-President, Howard Savings Institution, Newark.

Charles B. Miller, Chairman of the Board, Peoples Bank and Trust Company, Hammonton.

James B. Van Mater, President and Trust Officer, Atlantic Highlands National Bank, Atlantic Highlands.

Reception Committee

Frank F. Allen, Executive Vice-President, Asbury Park National Bank and Trust Company, Asbury Park, Chairman.

Archie C. Barbata, President, Bank of Nutley, Nutley.

David J. Connolly, President, Federal Trust Company, Newark.

Harold J. Curry, Cashier, Phillipsburg National Bank and Trust Company, Phillipsburg.

Peter De Leeuw, Jr., President, National Community Bank, Garfield.

Frank Durand, President, First National Bank, Spring Lake.

S. Guernsey Jones, Vice-President, National Newark and Essex Banking Company, Newark.

Percy B. Menagh, Executive Secretary, Savings Banks Association of New Jersey, Newark.

Harry C. Zimmer, Executive Vice-President, Commercial Trust Company of New Jersey, Jersey City.

The Ladies' Committee, in charge of the activities for wives and families of delegates at the Convention, will be headed by Mrs. F. Raymond Peterson. Other members of the Committee include:

Mrs. George Munsick, Vice-Chairman; Mrs. Frank F. Allen; Mrs. Walter E. Beyer; Mrs. Robert G. Cowan; Mrs. Bruce P. Dimon; Mrs. Charles A. Eaton, Jr.; Mrs. J. Milton Featherer; Mrs. Ernest R. Hansen; Mrs. William J. Kinnamon; Mrs. Elwood F. Kirkman; Mrs. Henry Knepper; Mrs. Percy B. Menagh; Mrs. William K. Mendenhall; Mrs. Frank W. Sutton, Jr.; Mrs. Frank A. Weber.

T. C. Henderson & Co. Appoints Representatives

DES MOINES, Iowa—T. C. Henderson & Co., Inc., Empire Building, members of the New York and Midwest Stock Exchanges, are announcing the appointments of C. Edward Hines, as registered representative in our Burlington, Iowa, office and also Robert J. O'Neill as registered representative in our Sioux City, Iowa, office.

Mr. Hines was formerly with Dempsey-Tegeler Burlington office and Mr. O'Neill was with M. Wittenstein & Company.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Felicia Miller has been added to the staff of First California Company Incorporated, 647 South Spring Street.

Marache, Dofflemyre Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert T. Wright has been added to the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John W. Clem has become affiliated with Pacific Coast Securities Company, 9201 Wilshire Boulevard. He was formerly with Daniel Reeves & Co.

Charles Parcells Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Lawrence C. Hutchinson has become connected with Charles A. Parcells & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Hill, Darlington Branch

Hill, Darlington & Co., members New York Stock Exchange and associate members American Stock Exchange, have opened a branch office at 150 Fifth Ave., under the co-management of Jerome J. Solomon and John F. Schmidt.

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The Security I Like Best

With the anticipated increase in production and sales, earnings per share might be substantially increased."

With bright prospects for 1957, what about 1958? With a new stretch reducing mill, a rod mill, and a fifth open hearth furnace due to go into operation in late 1957, the full effect of recent expansion will not be felt until the 1957 year is over. 1958 therefore should be still another banner year, for these additions will increase Lone Star's product output capacity by more than 20%.

There is one more interesting item in the earnings statement not widely recognized. As Lone Star has certificates of necessity to amortize their plant improvements in five years for income tax purposes, the management has elected not to report these savings as earned (as do some other companies and most of the railroads), but rather has set up a reserve to adjust for future income taxes. This amounted to $6,100,000 in 1956, or a hefty $2.31 per share more actually earned but not reported as such. As we all realize, the certificates do not excuse payment, but merely defer it, this method is both accurate and honest. However, having use of the money for a number of years before it is paid is quite important, particularly when we see what the management has done with the $1.50 per share the shares sold for originally 10 years ago. The money has been used to reduce the company's indebtedness, and I consider it an important plus in my evaluation. There are several more years covered by these certificates.

The truly difficult phase of evaluating a stock is normally the intangibles. Being in close contact with the company has, in this case, made it unusually simple. A case in point: the Board of Directors. It is an unusual one, composed of several small town bankers, a florist, an editor, a doctor and an automobile dealer among the 26 members. Few have national prominence though all are regionally noted. Only three had any previous knowledge of the steel business. But each is a self-made man and knows what it takes to get things done, primarily because each has done it. As pioneers in their own fields, many have achieved a degree of success the merchant princes of old would hardly have dreamed possible. A board like this is not afraid to tackle anything ambitious.

Above all, there is an unusual confidence that is hard to describe. At Lone Star Steel the management has it, the steelmen have it, the directors, the sales department, and even the customers have it. Its plain, unshakable confidence in what the future holds.

After any big market rise, such as Lone Star has seen, stockholders begin to wonder if maybe it isn't time to sell. To me the opposite would be the more nearly correct thing to do. Once set in motion, the forces that push a stock to new highs can last for years to come. It would seem wise to stay with the management that has made their original investment grow more than 3,600% in 10 short years. That kind of estimate of growth 10 years ago was, after all . . . just Texas-talk.

Draper, Sears Adds

BOSTON, Mass. — Alice M. Doxey has been added to the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Midwest Exchange Standing Committees

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange approved the following standing committees presented by Arthur C. Allyn, Chairman, A. C. Allyn & Co., to serve for the ensuing year:

Executive: Walter J. Buhler, Chairman; William E. Ferguson, Vice-Chairman, Thomson & McKinnon; Clemens E. Gunn, Cunningham, Gunn & Corey (Cleveland); Edde K. Hays, Central Republic Company; Clarence A. Horn, First of Michigan Corporation (Detroit); James W. Pope; Edward F. Thompson, Jr., Lamson Bros. & Co; Henry W. Meers, White, Weld & Co.; Jerome F. Tegeler, Dempsey-Tegeler & Co. (St. Louis).

Admissions: Gerald V. Hollins, Jr., Chairman, Harris, Upham & Co.; Guenther M. Philipp, Vice-Chairman, Paine, Webber, Jackson & Curtis; Fred W. Fairman, Jr., Bache & Co.; Robert L. John, Woodard-Elwood Co. (Minneapolis); Jerome F. Tegeler (St. Louis); Clyde H. Bidgood; Robert C. Wilson.

Finance: Edward F. Thompson, Jr., Chairman; Henry W. Meers, Vice-Chairman; William E. Ferguson; Joseph B. Reynolds, Benj. D. Bartlett & Co. (Cincinnati); Robert C. Wilson; Thomas S. Koehler; John M. Marston, Ball, Burge & Kraus (Cleveland).

Floor Procedure: Thomas S. Koehler, Chairman; Norman Freehling, Vice-Chairman, Freehling, Meyerhoff & Co.; Walter W. Cruttenden, Jr., Cruttenden, Podesta & Co.; Scott Davis; Edde K. Hays; James W. Pope; Frank E. Rogers; Arch C. Doty.

Public Relations: Harry A. Baum, Chairman, Wayne Hummer & Co.; Scott Davis, Vice-Chairman; Gordon Bent, Bacon, Whipple & Co.; Seymour E. Clonick; B. Franklin Houston, Dallas Union Trust Company (Dallas); George H. Knott; William S. Macfadden, Piper, Jaffray & Hopwood (Minneapolis); John M. Marston; Howard P. Morris, Taussig, Doy & Co. (St. Louis); Morris M. Moss, Morfeld, Moss & Hartnett (St. Louis); James G. Peterson; Leslie B. Schwinn, L. B. Schwinn & Co. (Cleveland); Irving C. Stein; Warner M. Washburn.

Representatives of the public who will serve as advisers to the Board of Governors are: Willis B. Boyer, Treasurer, Republic Steel Corporation, Cleveland, Ohio; Goodrich Lowry, President, Northwest Bancorporation, Minneapolis, Minn.; William G. Marbury, Chairman of the Board, Mississippi River Fuel Corporation, St. Louis, Mo.; John W. Evers, President, Commonwealth Edison Company; William V. Kahler, President, Illinois Bell Telephone Company; Edward P. Rubin, Security Supervisors and Selected American Shares, all of Chicago.

With Milwaukee Co.

MILWAUKEE, Wis.—Miss Joan Wendel and William F. Rayne, have become associated as registered sales representatives of The Milwaukee Company, 207 East Michigan Street, members of the Midwest Stock Exchange, it was announced by Joseph T. Johnson, President.

Miss Wendel will serve in the firm's Milwaukee office. Mr. Rayne will cover Racine.

With E. W. Clark Co.

LANCASTER, Pa.—E. W. Clark & Co., members of the New York Stock Exchange and other leading exchanges, announce that Asaph S. Light is now associated with them in their Lancaster, Pa. office in the Fulton National Bank Bldg.

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Combatting the Propagandists For Socialized Power

a continuous and shameful decline in the percentage of informed and qualified voters who went to the polls. Back in 1896, 83% of our qualified citizens had voted. By 1916, the figure had dropped to 71%. By 1944, it was 53%. And 1948 showed the all-time low of 51%. This was against a record of 80% in Sweden and 83% in England. The worst of it was that this lackadaisical attitude toward the first duty of the citizen was not confined to the ignorant or indigent. Far from it! A study made in Syracuse, N. Y., right after the 1949 election showed that 32% of the city's lawyers had failed to vote, 28% of the bankers, 28% of the doctors, and 23% of the teachers. In Syracuse there are five country clubs. 43% of their members had failed to vote—and 47% of their wives.

Latent Responsiveness

Something really needed to be done! In 1950, the year following the conclusion of the Freedom Train tour, the American Heritage Foundation and cooperating community organizations undertook to translate the spirit of rededication engendered by the Freedom Train into active participation in the elections that year. The result: Over 42 million voters went to the polls—12% more than the previous record for a non-presidential year.

Encouraged by this success, an all-out effort was made in 1952 to persuade qualified citizens to register and vote. Millions of dollars of radio and television time and space in newspapers, magazines, and billboards was donated by media owners and advertisers. The campaign was planned by the most modern methods known to advertising, beginning with psychological research and ending with the talents of some of the most brilliant creative men in the field, all of whom volunteered their services. Did it succeed? The records show that the percentage of all citizens voting in 1948 had been 51%. In the 1952 campaign, 63% of all Americans of voting age voted; 72.4% of all civilian Americans eligible to vote actually did vote, and 81% of all civilian Americans registered to vote actually went to the polls that year.

These public action campaigns have been fascinating and heart-warming experiences for many Americans who shared in them. They revealed an enormous latent responsiveness in the American people which is simply waiting to be harnessed by men with a good cause and some understanding of the arts of persuasion.

This understanding is based on a fundamental principle—a principle that underlies the success or failure of any attempt to influence the thoughts and actions of Americans: **The public will respond to the degree that they see their own interests involved.**

To sell the American people an idea, you must involve them. You must persuade them that your cause is theirs. You must show them how their own well-being and that of their friends and neighbors is directly affected.

Campaign Failures

Since failure is frequently more instructive than success, let me drag a skeleton or two from our public service closet.

In 1946, The Advertising Council was prevailed up to conduct a campaign in behalf of world trade, the objective being to point out that expanded foreign trade was essential to American prosperity. **Advertising included radio messages on leading programs, full-page advertisements in 23 leading magazines and over a thousand advertisements in local newspapers across the country.**

The observable result in influencing public opinion? So far as anyone could determine—nil!

The World Trade Campaign failed, I should say, because there was very little that the individual citizen could imagine himself doing about it. It failed to touch him as a personal problem; it failed to point out a course of personal action — even assuming there was one—which he could embrace with any sense of participation or accomplishment.

A second failure was the American Overseas Aid — United Nations Appeal for Children. The total amount needed was in the neighborhood of $68 million. After two years of beating the bushes via radio and print advertising—for the younger members in the audience, I should say that this was in the years before television—the total sum raised was less than $2 million.

This appeal failed, I think, because there was inadequate community organization. Experience has proved time and again that advertising alone rarely succeeds in selling an idea. It provides a backdrop—creates a climate of willingness, if you like—but an essential ingredient is personal selling at the local level.

In the case of a company or an industry, there is no better group of advocates than its employees, well informed and armed with a vital interest in the business. Too often we find that this source of much-needed local assistance is overlooked in the planning of national and even local campaigns. Also often neglected are the community leaders, whose civic inclinations will respond quickly to a program which promises to accomplish good ends.

In the successful cases I have cited, there has always been a "sales force" involved—thousands of people, dedicated volunteers, ringing doorbells, organizing meetings, and talking up the cause. Too much cannot be said in appreciation of the efforts of such volunteers, and their enlistment is an important part of the problem of involving people.

Hard to Understand Economics

If the principle of personal involvement is true in campaigns to support worthy causes or to bring about a greater appreciation of our responsibilities as citizens in preserving our political freedoms, it is even more true when we try to build the same appreciation of our economic freedoms—including our great free enterprise system and all the blessings it has brought us. The majority of people think of our political and economic freedoms as indivisible, and there is indeed need of a better understanding of our economic system, as well as a greater appreciation of our political rights and duties. Most people find it difficult to understand economics.

There is a fable about an ancient King, who, troubled by the economic woes of his people, called upon the economists of his kingdom for advice.

Confused by their conflicting theories and counsel, he commanded them to prepare a short and simple text on economics for him.

After many months, they brought him many volumes replete with charts and graphs.

In fury, the King banished half the economists and commanded the other half to produce a text he could understand.

One after another they made reports that went over his head, and one after another they went into exile. Finally all but one economist was gone.

In fear and trembling, this last economist appeared before the King.

"Your majesty," he quavered, "I have reduced the subject of economics to a single sentence.

"In nine words, I will reveal to you all the wisdom to be distilled from all the economists who once practiced in your realm: **"There is no such thing as a free lunch!"**

In attempts to sell a better understanding of our economic system, it is necessary to be even more skillful than in the field of politics, for we are entering upon areas of legitimate debate and are in competition with the proponents of big government, planned economy, and all the other shibboleths that would lead us away from free enterprise.

Opposes Special Pleading

Much of what has been given the people in the past has not been directed (**not genuinely** directed) in showing them their own interests. Accordingly, it has been discounted as special pleading. Some woeful examples, I think, have been in the controversies between management and labor. The union lets forth an advertising blast that presents a very colored picture of its side of the conflict. Too often, the company replies in kind. In study after study, it has been shown that the public reacts negatively to all such special pleading—particularly when it seems to concern the interests only of special groups.

Perhaps an exaggerated example of the failure to involve the public's interest was the proxy controversy for the control of Montgomery Ward. Do you remember some of those advertisements? They descended to such name-calling that the public concluded it was not their fight at all. They wished the two gentlemen would go out behind the barn and settle it. It was not their affair.

Let me cite another example. I saw some interesting research not long ago, which disclosed that the public is getting bored with the long-continuing fight waged in advertising pages between the trucking interests and the railroads. No matter how much their writers thought they were presenting their respective cases in the public interest, the noise of their axes on the grindstone came through too clearly.

Contrast that, if you will, with the electric issue of a single advertisement Robert Young ran during the controversy over through-railroad service to the coast: **"A hog can cross the country without changing trains, but you can't."** The very next day there were editorials all over the country, and within hours, the New York Central and the Pennsylvania promised through-car service!

Phrasing the Issue

I could cite many other examples of public opinion advertising in the field of business that has touched the springs of national involvement and brought action, but I would like to make a comment on your own problem which has been disturbing the even tenor of my thoughts. I have been looking at research conducted in the 'thirties into the public's relative preference for

privately-owned, as against publicly-owned, utilities.

Question

Do you think electric utilities should be publicly or privately owned?

Answer

Publicly owned	55.6%
Privately owned	30.7%
Don't know	13.6%

Is there such a thing as a privately-owned utility—unless it's the farmer who owns a Delco set? Is yours not a publicly-owned business?

Such is the power of words in our land that immediately you say "private ownership," you insulate yourselves from the public's interest. You conjure up the spectre of monopoly.

I wonder if the public might not have a different attitude if the distinction were drawn between **public** ownership (by many thousands of shareholders) and **government** ownership.

In support of this, let me call attention to a significant fact in the research just referred to. When the word government ownership was substituted for public ownership, only 15% of the respondents voted for the government.

I think the evidence is quite conclusive that this American commonality of ours will sit on its hands until it sees its own interest involved. This is not because the American people are selfish. It is because they are smart. They don't want any wooden nickels. And if we intend to act in the public's interest, we had better be real about it, for they have pretty shrewd instincts.

Persuasion, Not Propaganda

Somehow this fact is reassuring. It is good to known that in a free country, men can distinguish between propaganda and persuasion.

This is the hardest place on the globe in which to hoodwink people into thinking that black is white, or that evil is good, or that slavery is freedom. Our enemies' weapons fall blunted to the ground. What baffles the Communists is that Americans do not react to their propaganda the way less fortunate people do the whole world over. And yet, while we reject propaganda as a nation, as a people, we love salesmanship. We dote on the good avocate. Only, we reserve the right to ring the coin before we accept it and to make our own decisions on the evidence.

The use of advertising to sell ideas, as well as products and services, is only beginning. More and more we will learn its magic power. But it's a magic that works only when the advocate presents admissible evidence. And the only evidence that is admissible in the court of public opinion is that which concerns the interest of the public itself.

The rules that govern this evidence are just as exact as those that apply in our law courts—including the one which says that if any part of a witness' testimony rings false, the jury is at liberty to reject it all.

Yes, this is the vast difference between propaganda and persuasion—between the ways in which our enemies work and the way in which we can sell a nation of free and upstanding men.

We would not have it otherwise. As long as the American people react as they do, we need not be fearful of our future. And to the degree that industry understands the prime secret of public relations, there is no limit to the power of advertising to gain even a militant support for the ideas that have made our country sound and strong.

A campaign of public persuasion to win appreciation for our great publicly-owned utilities — and by that I mean America's power companies—as against the creeping threat of government gobble, should be not only your privilege but your high duty.

Contrasts Two Types of Utilities

Public utilities are often called monopolistic; but in effect, they are more nearly contractors to the public, whose contracts (franchises) come up for review periodically; whose rates are regulated; whose books are audited by public accountants; and who annually must account to their owners, the shareholders, on the conduct of the business, and to the government for taxes.

In contrast, government-owned utilities are, fundamentally, full and irrevocable monopolies who do not need to renew their franchises; have no tax problems, make no comparable accounting to the public, and are not audited by outside firms.

Furthermore, the *publicly*-owned utility—and again I mean the company—is constantly under pressure from the government and the public to keep rates down; from suppliers and labor to pay more for materials and manpower; from the stockholders for larger dividends; and from the future to provide for growing needs.

Government-owned power operations are virtually free from these pressures, and the public should be aware of the difference.

Next year our high schools will begin to graduate record numbers of students—and shortly, we will have record numbers of new voters. In a relatively short period, the number of young voters will begin to outweigh the number of older voters. The educational job that must be done on private ownership and free enterprise will be much greater in the years immediately ahead.

It is important that we know what today's young people are thinking and what the nature of our educational job may be for the future. Then we must make them fully aware of the issues.

If I have discussed anything that can be of help, it is in the manner by which this task is approached. Advertising can be useful. Do it one way, however, you will find that it will not help, and it may prove to be a most expensive way of talking to yourselves. Do it another, and millions of Americans will stand beside you.

I have never been an advocate of the "keep your head down" school of public relations. If I have any understanding of our American public I know they love a fighter for a just and honorable cause, a cause that is persuasively presented in terms of their own interest and the welfare of all.

And in this context I like to quote John Drinkwater, who saw so clearly, as poets sometimes do, what is needed in our times.

"Grant us the will to fashion as we feel,
Grant us the strength to labor as we know,
Grant us the purpose, ribbed and edged with steel,
To strike the blow."

Bateman, Eichler Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Lucien R. Caforio has been added to the staff of Bateman, Eichler & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. He was previously with Marache, Dofflemyre & Co.

Dist. Group Appoints Reed, Anderson

S. Chadwick Reed has been elected Vice-President of Distributors Group, 63 Wall Street, New York City, according to an announcement by Herbert R. Anderson, President. Mr. Reed, who joined the organization in February of this year as Director of Sales Development, was formerly a member of the Economics Faculty of Yale and Rutgers Universities and also Special Correspondent for "The Economist" of London. During World War II he served as an officer in the United States Naval Reserve. He is a Director of Economic Consultants, Princeton, New Jersey.

At the same time, it was announced that Robert D. Anderson has ben made Associate Director of Sales Development of Distributors Group. Mr. Anderson, who joined the company in 1954, was formerly with Kidder, Peabody & Co.

Rejoins Samuel Franklin

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Charles W. Cottle has rejoined Samuel B. Franklin & Company, 215 West Seventh Street. He has recently been with J. D. Creger & Co. and J. Logan & Co.

Joins Bache Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — Holland L. Robb is now with Bache & Co., Johnston Building.

Joins Zilka, Smither

PORTLAND, Oregon — Harley O. Van Hise is now with Zilka, Smither & Co., Inc., 813 Southwest Alder Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Academy Life Insurance Co.
April 18 filed 750,000 shares of common stock (par 50 cents) to be offered for subscription by military, National Guard, active, retired or reserves, personnel and not to the public at large. **Price**—$1 per share. **Proceeds**—For operating capital. **Office** — Colorado Springs, Colo. **Underwriter**—None. **Offering**—Expected in about one month.

Acme Tool & Engineering Corp.
April 4 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For leasehold improvements; purchase of equipment, inventory material, etc.; and for additional working capital. **Office** — 4142 Howard Ave., Kensington, Md. **Underwriter**—Williams, Widmayer & Co., Washington, D. C.

Agricultural Equipment Corp.
March 1 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To reduce obligation, purchase tools and for working capital. **Address**—P. O. Box 322, La Junta, Colo. **Underwriter**—Mountain States Securities Corp., Denver, Colo.

All America Expansion Corp., Pasadena, Calif.
May 3 filed 184,000 shares of common stock, of which 92,000 shares are to be offered to public and 92,000 shares issued to promoters. **Price**—To public, $1 per share; no proceeds from sale to promoters. **Proceeds**—For general corporate purposes. **Business**—Purchase and resale of oil fruits grown in Brazil and other countries. **Underwriter**—None. LeRoy R. Haynes, of Pasadena, Calif., is President.

Allied Finance Co., Dallas, Texas
April 22 filed $1,200,000 6% sinking fund capital debentures due 1972. **Price** — At 100% of principal amount. **Proceeds**—For reduction of bank loans and working capital. **Underwriter**—The First Trust Co. of Lincoln, Neb.

Allied Products of Florida, Inc.
May 1 filed 130,000 shares of class A common stock (par $1) to be offered to stockholders of record about June 10, 1957; rights to expire about June 25. **Price**—$11.50 per share. **Proceeds**—To retire bank loans, for expansion, inventory purchases, to pay current accounts payable and for working capital. **Business**—Manufactures building materials and electrical appliances. **Office** — St. Petersburg, Fla. **Underwriter**—Atwill & Co., Inc., Miami Beach, Fla.

★ **American Brake Shoe Co.**
June 11 filed 119,162 shares of common stock (no par) to be offered to employees in accordance with company's stock purchase and option plans. **Price**—Not greater than the market price on date of offfer (but not less than 85% of such price).

● **American Guaranty Corp.**
May 13 (letter of notification) 38,651 shares of common stock (par $1) being offered to stockholders of record May 17, 1957 on a basis of one new share for each three shares held (with an oversubscription privilege); rights to expire June 28, 1957. Any unsubscribed shares will be offered to public residents in Rhode Island and Massachusetts. **Price**—$7.50 per share. **Proceeds**—For working capital. **Office**—49 Westminister St., Providence, R. I. **Underwriter**—None.

American Hardware Corp.
April 8 filed 118,000 shares of common stock (par $12.50) being offered in exchange for common stock and class B common stock of Kwikset Locks, Inc., at the rate of one share of American Hardware for each two Kwikset common shares and 55,500 American Hardware common shares for 150,000 shares of Kwikset class B common stock. The offer is conditioned upon its acceptance of not less than 85% of the issued and outstanding Kwikset common and class B common shares by June 28. **Underwriter**—None.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

● **Ames (W. R.) Co. (6/18)**
May 13 filed 50,000 shares of capital stock (par $2). **Price** — To be supplied by amendment. **Proceeds** — Together with funds from private sale of $500,000 of notes to insurance firm, to retire bank loan; for expansion and working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

● **Apache Oil Corp., Minneapolis, Minn.**
March 25 filed 50,000 shares of common stock (par $2.50). **Price**—$6 per share. **Proceeds**—For investment in stock of APAF Co., a subsidiary; to carry an inventory of leases for present and future drilling programs; and for general corporate purposes. **Underwriter**—APA, Inc., another subsidiary, Minneapolis, Minn. Statement effective June 4.

★ **Applied Research Laboratories**
May 27 (letter of notification) 1,296 shares of capital stock (par $1) and 71 shares of class B stock (par $1), pursuant to previous options. **Price**—$8.55 per share. **Proceeds**—For working capital. **Office**—3717 Park Place, Glendale 8, Calif. **Underwriter**—None.

Associates Investment Co. (6/19)
May 24 filed $20,000,000 of 20-year subordinated debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds** — For working capital and to reduce short-term bank borrowings. **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York.

Bankers Fire & Marine Insurance Co.
April 25 (letter of notification) 19,854 shares of common stock (par $5) to be offered to stockholders of record May 30, 1957 on a basis of two new shares for each 11 shares held; rights to expire July 30, 1957. **Price**—$11 per share. **Proceeds** — To increase capital and surplus accounts. **Office** — 312 N. 23rd St., Birmingham 3, Ala. **Underwriter**—None.

★ **Barium Steel Corp., New York (6/27)**
June 6 filed $10,000,000 of 5½% convertible subordinated debentures due June 15, 1969. **Price**—To be supplied by amendment. **Proceeds**—For construction of new plant. **Underwriters**—Lee Higginson Corp. and Allen & Co., both of New York.

Bonanza Oil & Mine Corp., Sutherlin, Ore.
Feb. 11 (letter of notification) 71,710 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—To go to selling stockholder. **Underwriter**—L. D. Friedman & Co., Inc., New York, N. Y.

● **Bridgeport (Conn.) Gas Co.**
May 17 filed 28,910 shares of common stock (no par) being offered for subscription by common stockholders of record June 4, 1957 on the basis of one new share for each seven shares held; rights to expire on June 24. **Price**—$26 per share. **Proceeds**—To retire bank loans (presently outstanding $600,000) and for general corporate purposes. **Underwriters**—Smith Ramsay & Co., Inc., Bridgeport, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

Browne Window Manufacturing Co.
April 10 (letter of notification) 32,500 shares of common stock (par one cent). **Price**—At market. Total offering not to exceed $300,000. **Proceeds**—To selling stockholders. **Office**—1400 East Jefferson Ave., Dallas, Tex. **Underwriter**—Wm. B. Robinson & Co., Corsicana, Tex.

Butler Brothers, Chicago, Ill.
May 28 filed 40,000 shares of common stock (par $15) to be offered for subscription by certain of the Ben Franklin franchise holders. **Price**—To be supplied by amendment. **Business** — Distributors of general merchandise. **Underwriter**—None.

● **Buzzards Bay Gas Co.**
May 22 (letter of notification) 5,840 shares of 6% prior preferred stock being offered for subscription by holders of prior preferred stock of record May 20 on the basis of one new share for each 4.11 shares held; rights to expire on June 21. **Price**—At par ($25 per share). **Proceeds** — For the purchase of the Barnstable pipeline. **Office**—25 Iyanough Road, Hyannis, Mass. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

★ **Cameron Industries, Inc., New York (6/27)**
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York.

Capper Publications, Inc., Topeka, Kan.
March 25 filed $1,000,000 of five-year 4% first mortgage bonds, series six, and $3,000,000 of 10-year 5% first mortgage bonds, series seven. **Price**—At par. **Proceeds**—To redeem outstanding bonds and for improvement of present facilities and other corporate purposes. **Underwriter**—None.

★ **Cardinal Motel Corp.**
May 21 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For construction and operation of a modern hotel. **Office**—13 Army St., Henderson, Nev. **Underwriter**—None.

Carolina Mines, Inc., Kings Mountain, N. C.
March 29 filed 679,469 shares of common stock, of which 283,676 shares are to be offered for subscription by stockholders at the rate of five additional shares for each four shares held; and the remainder will be offered to the public. **Price**—At par ($1 per share). **Proceeds**—To repay loans, for exploration and development work, construction and working capital. **Underwriter** — None. A. S. MacCulloch of Vancouver, B. C., Canada, is President and principal stockholder.

★ **Central Illinois Light Co.**
June 12 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received about the middle of July.

● **Chance Vought Aircraft, Inc. (6/26)**
June 5 filed $12,500,000 subordinated debentures due July 1, 1977 (convertible into common stock to and including July 1, 1967). **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

★ **Cincinnati Gas & Electric Co.**
June 7 filed 160,000 shares of common stock (par $8.50), of which 80,000 shares are to be offered for subscription under the company's Employees' Stock Purchase Plan. The remaining 80,000 shares are to be offered at a later date or dates.

★ **Citizens' Acceptance Corp.**
May 24 (letter of notification) $200,000 6% 5-year deferred bonds to be offered as follows: 50 series D at $500 each; 100 series D at $1,000 each and 15 series D at $5,000 each. **Proceeds**—For expansion of business. **Office**—The Square, Georgetown, Del. **Underwriter**—None.

Coastal Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss.

Colonial Aircraft Corp., Sanford, Me.
March 29 filed 250,000 shares of common stock (par 10¢), to be issued upon exercise of warrants to purchase the following number of shares and held as follows: Glick & Co., Inc., underwriters of original offering, 140,000 shares; and by three individuals 110,000 shares. **Price**—Shares to be offered at market. Warrants are exercisable at 10 cents per warrant. **Proceeds**—From sale of shares to sellers of warrants. **Underwriter**—None.

● **Comico Corp., Memphis, Tenn. (7/8-12)**
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

★ **Consolidated Water Co. (6/17)**
May 24 (letter of notification) 10,000 shares of 6% cumulative convertible preferred stock (no par—stated value $25). **Price**—$25 per share. **Proceeds**—For part payment of bank loans made March 1, 1957. **Office**—327 S. LaSalle St., Chicago, Ill. **Underwriters** — The Milwaukee Co., Milwaukee, Wis., and Indianapolis Bond & Share Corp., Indianapolis, Ind.

Conticca International Corp., Chicago, Ill.
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters** — Allen Shaw & Co., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

Continental Gin Co., Birmingham, Ala.
April 30 filed 143,298 shares of common stock (no par) being offered for subscription by common stockholders of record May 27, 1957 at the rate of one additional share for each share held (with an oversubscription privilege); rights to expire on June 17. **Price**—$30 per share. **Proceeds**—For expansion program and machinery and equipment. **Underwriters**—Courts & Co.; Clement A. Evans & Co., Inc. and The Robinson-Humphrey Co., Inc., Atlanta, Ga.

Continental Mines & Metals Corp., Paterson, N.J.
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass.

Continental Turpentine & Rosin Corp.
March 12 (letter of notification) 11,400 shares of capital stock (par $5) and $125,000 of 20-year 5% subordinate debentures dated March 31, 1957 to be offered in denominations of $100 to present stockholders, officers and employees of the corporation at rate of 3/10ths of a share of new stock for each share held and $300 debentures for each 100 shares held. **Price**—Of stock, $15 per share; and of debentures at face amount. **Proceeds**—For construction purposes in Shamrock, Fla. **Office** — Laurel, Miss. **Underwriter**—None.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

★ **Cowiche Telephone Co., Cowiche, Wash.**
May 23 (letter of notification) $63,000 of 20-year 5½% first mortgage sinking fund bonds, series "B," dated June 1, 1957, to be offered in denominations of $1,000 each. **Proceeds**—For expenses in increasing telephone service. **Underwriter**—Wm. F. Harper & Co., Seattle, Wash.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

DeKalb & Ogle Telephone Co.
April 25 (letter of notification) 22,025 shares of common stock to be offered to stockholders of record May 1, 1957 on the basis of one new share for each seven shares held; rights to expire June 14, 1957. **Price**—At par ($10 per share). **Proceeds**—For a construction program. **Office**—112 W. Elm St., Sycamore, Ill. **Underwriter**—None.

Delaware Power & Light Co. (6/24)
May 28 filed $15,000,000 of first mortgage and collateral trust bonds due 1987. **Proceeds**—To retire bank loans and for construction program of company and its subsidiaries. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman, Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); Francis I. du Pont & Co. and Reynolds & Co. (jointly); Lehman Brothers. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EDT) on June 24 at 600 Market Street, Wilmington 99, Del.

★ **Dividend Shares, Inc., New York**
June 11 filed 5,000,000 shares of capital stock (par 25 cents). **Price**—At market. **Proceeds**—For investment.

Dominion Resources Development Co.
May 10 (letter of notification) 298,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development; road improvement; general corporate purposes and working capital. **Office**—1129 Vermont Ave., N. W., Washington 5, D. C. **Underwriter**—Landrum Allen & Co., Inc., Washington, D. C.

Duquesne Light Co. (6/26)
May 22 filed 265,000 shares of common stock (par $10). **Proceeds**—To Standard Shares, Inc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Bean (jointly); Kuhn, Loeb & Co. and Smith, Barney & C. (jointly); The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co., Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids**—To be received by Standard Shares, Inc., 15 Broad Street, New York 5, N. Y., up to 11 a.m. (EDT) on June 26.

Engelberg Huller Co., Inc.
May 6 (letter of notification) 4,084 shares of common stock (par $10) to be offered for subscription by stockholders of record May 15, 1957 on a 3-for-10 basis; rights to expire June 15. **Price**—$25 per share. **Proceeds**—For expansion of belt grinder division. **Office**—831 West Fayette St., Syracuse, N. Y. **Underwriter**—None.

Eric Corp. of America, Philadelphia, Pa.
May 14 filed $375,000 of 10-year 6% debentures due March 1, 1967; 3,750 shares of 7% cumulative preferred stock (par $100); and 7,500 shares of common stock (par $1) to be offered in units of $500 of debenture, five shares of preferred stock and 10 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—Together with other funds, to purchase, directly or through subsidiaries, drive-in theatres; to acquire other properties, etc.; and for working capital. **Underwriter**—None.

● **Erie Resistor Corp., Erie, Pa. (6/26)**
June 5 filed 100,000 shares of 90-cent convertible preference stock, 1957 series (par $12.50). **Price** — $15 per share. **Proceeds** — To retire short-term debt and for working capital. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

● **Fairbanks, Morse & Co. (6/18)**
May 27 filed $15,000,000 of convertible subordinated debentures due June 1, 1972. **Price** — To be supplied by amendment. **Proceeds**—To purchase 300,000 shares of company's common stock presently owned by Penn-Texas Corp. at $50 per share. **Underwriter**—A. C. Allyn & Co. Inc., Chicago, Ill.

★ **Federal Insurance Co. (6/26)**
June 7 filed 400,000 shares of capital stock (par $4) to be offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer will become effective upon acceptance by holders of 90% of Colonial stock, or, at option of Federal, acceptance by not less than 80% of the Colonial shares. Offer will continue for 30 days, or to about July 26. **Dealer-Managers**—The First Boston Corp. and Spencer Trask & Co., both of New York.

First Mississippi Corp., Jackson, Miss.
April 10 filed 10,000,000 shares of common stock (par $1), of which 2,500,000 shares are to be offered publicly at $4 per share prior to Nov. 30, 1957, each purchaser of one share to receive an option to purchase two additional shares at any time prior to Nov. 30, 1959 at $4.50 per share. The price of the remaining 2,500,000 shares will be $5 each, of which 500,000 shares are to be reserved for exercise of options to be granted to directors, officers and employees. **Proceeds** — For industrial and business development of Mississippi and the South. **Underwriter**—None.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

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NEW ISSUE CALENDAR

June 13 (Thursday)
Norfolk & Western Ry. ---- **Equip. Trust Ctfs.**
(Bids noon EDT) $6,450,000

June 17 (Monday)
Consolidated Water Co. ---- **Preferred**
(The Milwaukee Co. and Indianapolis Bond & Share Corp.) $250,000
Government Employees Corp. ---- **Debentures**
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and Eastman Dillon, Union Securities & Co.) $661,040
Michigan Consolidated Gas Co. ---- **Bonds**
(Bids 11 a.m. EST) $30,000,000
Outboard Marine Corp. ---- **Common**
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 486,058 shares

June 18 (Tuesday)
Ames (W. R.) Co. ---- **Common**
(Dean Witter & Co.) 50,000 shares
Fairbanks, Morse & Co. ---- **Debentures**
(A. C. Allyn & Co., Inc.) $15,000,000
Gulf States Utilities Co. ---- **Common**
(Bids 11 a.m. EDT) 200,000 shares
Lake Lauzon Mines, Ltd. ---- **Common**
(Steven Randall & Co., Inc.) $300,000
Lincoln National Bank & Trust Co. ---- **Common**
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 25,000 shares
Public Service Electric & Gas Co. ---- **Preferred**
(May be Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co.) $25,000,000
Southern Bell Telephone & Telegraph Co. ---- Debs.
(Bids to be invited) $70,000,000
Trans World Airlines, Inc. ---- **Common**
(Offering to stockholders—no underwriting) 3,337,036 shares

June 19 (Wednesday)
Associates Investment Co. ---- **Debentures**
(Salomon Bros. & Hutzler and Lehman Brothers) $20,000,000
Microwave Associates, Inc. ---- **Common**
(Lehman Brothers) 50,000 shares
Montana-Dakota Utilities Co. ---- **Debentures**
(Bids 11 a.m. EDT) $10,000,000
Seaporcel Metals, Inc. ---- **Common**
(Charles Plohn & Co.) $680,000
Texas Eastern Transmission Corp. ---- **Preferred**
(Dillon, Read & Co. Inc.) $20,000,000
Texas Eastern Transmission Corp. ---- **Debentures**
(Dillon, Read & Co. Inc.) $15,000,000

June 20 (Thursday)
Erie RR. ---- **Equip. Trust Ctfs.**
(Bids noon EDT) $2,925,000
Kerr-McGee Oil Industries, Inc. ---- **Debentures**
(Lehman Brothers and Straus, Blosser & McDowell) $20,000,000
Kerr-McGee Oil Industries, Inc. ---- **Common**
(Lehman Brothers and Straus, Blosser & McDowell) 225,000 shares

June 24 (Monday)
Delaware Power & Light Co. ---- **Bonds**
(Bids 11:30 a.m. EDT) $15,000,000
Pacific Finance Corp. ---- **Common**
(Blyth & Co., Inc. and Hornblower & Weeks) 164,604 shares
Southeastern Fund ---- **Debentures**
(Smith, Clanton & Co., Powell & Co. and Frank S. Smith & Co.) $2,000,000
Zapata Petroleum Corp. ---- **Debentures**
(G. H. Walker & Co.) $3,000,000

June 25 (Tuesday)
Barium Steel Corp. ---- **Debentures**
(Lee Higginson Corp. and Allen & Co.) $10,000,000
Chicago & Eastern Illinois RR. ---- **Equip. Trust Ctfs.**
(Bids noon CDT) $2,130,000
Household Finance Corp. ---- **Debentures**
(Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $40,000,000
Puget Sound Power & Light Co. ---- **Bonds**
(Bids noon EDT) $20,000,000
Rimrock Tidelands, Inc. ---- **Common**
(Bear, Stearns & Co.) 1,200,000 shares
Stinnes (Hugo) Corp. ---- **Common**
(Bids 3:45 p.m. EDT) 530,712 shares

June 26 (Wednesday)
Chance Vought Aircraft, Inc. ---- **Debentures**
(Harriman Ripley & Co. Inc.) $12,500,000
Duquesne Light Co. ---- **Common**
(Bids 11 a.m. EDT) 265,000 shares
Erie Resistor Corp. ---- **Preference**
(Fulton, Reid & Co.) $1,250,000
Federal Insurance Co. ---- **Common**
(Offering in exchange for stock of Colonial Life Insurance—The First Boston Corp. and Spencer Trask & Co. will act as dealer-managers) 400,000 shares
Kaiser Aluminum & Chemical Corp. ---- **Preferred**
(The First Boston Corp. and Dean Witter & Co.) $30,000,000
Louisiana-Delta Offshore Corp. ---- **Common**
(Smith, Barney & Co.) 346,282 shares
Metropolitan Toronto (Municipality of) **Debentures**
(Harriman Ripley & Co. Inc.; Dominion Securities Corp.; The First Boston Corp.; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc.) $39,372,000
Southern California Edison Co. ---- **Bonds**
(Bids to be invited) $40,000,000
Southern California Gas Co. ---- **Bonds**
(Bids 8:30 a.m. PDT) $35,000,000
Thriftimart, Inc. ---- **Debentures**
(Reynolds & Co., Inc. and Lester, Ryons & Co.) $5,000,000

June 27 (Thursday)
Cameron Industries, Inc. ---- **Common**
(R. G. Worth & Co., Inc.) $300,000
Chicago & North Western Ry. ---- **Equip. Trust Cfts.**
(Bids noon CDT) $2,235,000

June 28 (Friday)
First National City Bank of New York ---- **Common**
(Offering to stockholders—may be underwritten by The First Boston Corp.) $120,000,000

July 1 (Monday)
Mountain States Telephone & Telegraph ---- **Common**
(Offering to stockholders—no underwriting) 584,176 shares

July 2 (Tuesday)
Rochester Gas & Electric Corp. ---- **Bonds**
(Bids 11 a.m. EDT) $15,000,000

July 8 (Monday)
Comico Corp. ---- **Common**
(Southeastern Securities Corp.) $1,500,000

July 9 (Tuesday)
Texas Electric Service Co. ---- **Preferred**
(Merrill Lynch, Pierce, Fenner & Beane) $10,000,000
Wisconsin Telephone Co. ---- **Debentures**
(Bids to be invited) $30,000,000

July 10 (Wednesday)
Montreal (City of) ---- **Debentures**
(Bids to be invited) $25,000,000
Pacific Power & Light Co. ---- **Common**
(Offering to stockholders—bids 11 a.m. EDT) 376,600 shares
Washington Water Power Co. ---- **Bonds**
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; and Laurence M. Marks & Co.) $30,000,000
West Penn Power Co. ---- **Bonds**
(Bids 11 a.m. EDT) $20,000,000

July 15 (Monday)
Allied Paper Corp. ---- **Debentures**
(Glore, Forgan & Co.) $3,500,000
Texas Electric Service Co. ---- **Bonds**
(Bids 11:30 a.m. EDT) $10,000,000

July 16 (Tuesday)
Jersey Central Power & Light Co. ---- **Bonds**
(Bids 11 a.m. EDT) $15,000,000

July 17 (Wednesday)
Great Northern Ry. ---- **Equip. Trust Ctfs.**
(Bids to be invited) $4,965,000

July 23 (Tuesday)
Pacific Gas & Electric Co. ---- **Bonds**
(Bids to be invited), $60,000,000

July 25 (Thursday)
Southern Pacific Co. ---- **Equip. Trust Ctfs.**
(Bids to be invited) about $9,000,000

July 30 (Tuesday)
Bell Telephone Co. of Pennsylvania ---- **Debentures**
(Bids 11 a.m. EDT) $50,000,000

August 13 (Tuesday)
Northern States Power Co. (Minn.) ---- **Bonds**
(Bids 11 a.m. EDT) $15,000,000

August 20 (Tuesday)
Pacific Telephone & Telegraph Co. ---- **Debentures**
(Bids to be invited) $90,000,000

September 4 (Wednesday)
Louisville Gas & Electric Co. ---- **Bonds**
(Bids to be invited) $15,000,000

September 10 (Tuesday)
Duke Power Co. ---- **Bonds**
(Bids to be invited) $50,000,000

September 11 (Wednesday)
New Jersey Bell Telephone Co. ---- **Debentures**
(Bids to be invited) $30,000,000

October 1 (Tuesday)
Southwestern Bell Telephone Co. ---- **Debentures**
(Bids to be invited) $100,000,000
Utah Power & Light Co. ---- Bonds
(Bids to be invited) $15,000,000
Utah Power & Light Co. ---- Common
(Bids to be invited) 400.000 shares

October 15 (Tuesday)
Indiana & Michigan Electric Co. ---- **Bonds**
(Bids 11 a.m. EST) $20,000,000

November 19 (Tuesday)
Ohio Power Co. ---- **Bonds**
(Bids 11 a.m. EST) $28,000,000
Ohio Power Co. ---- **Preferred**
(Bids 11 a.m. EST) $7,000,000

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★ Fluorspar Corp. of America
May 28 (letter of notification) 30,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—$8.50 per share. **Proceeds**—For mining operations. **Office**—433 S. E. 74th Ave., Portland, Ore. **Underwriter**—None.

Foster-Forbes Glass Co., Marion, Ind.
May 21 (letter of notification) 8,339 shares of common stock (par $1.50). **Price**—$25 per share. **Proceeds**—To go to four selling stockholders. **Underwriter**—Raffensperger, Hughes & Co., Inc.; Indianapolis, Ind.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Precision Equipment Corp.
May 17 filed 194,200 shares of $3 cumulative convertible preference stock ($50 liquidating value) being offered for subscription by common stockholders of record June 5, 1957 on a 1-for-6 basis and by holders of $1.60 cumulative preference stock on a 1-for-9 basis; rights to expire on June 24, 1957. **Price**—$50 per share. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Tucker, Anthony & R. L. Day, both of New York.

General Telephone Corp., New York (6/14)
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) to be offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. No exchange of preferred stock will be made unless at least 80% of the Peninsular preferred stock is exchanged. Offer is expected to remain open for a period of 30 days. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Georgia Casualty & Surety Co.
May 10 (letter of notification) 10,000 shares of common stock (par $5) to be offered first to stockholders and agents, then to the public. **Price**—$30 per share. **Proceeds**—To expand and finance the company's regular line of business. **Office**—70 Fairlie St., N. W., Atlanta, Ga. **Underwriter**—None. Dan D. Dominey is President.

Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind.

• Gob Shops of America, Inc.
Jan. 21 (letter of notification) 240,000 shares of common stock (par 30 cents) of which 86,610 shares are being sold pursuant to outstanding warrants. **Price**—$1.25 per share. **Proceeds**—For additional discount department store operation; to increase the number of stores; and for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y. Letter to be withdrawn.

★ Golden Salt Co.
May 29 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For production and sale of vitamin coated salt and to license others with respect to such salt. **Office**—208 N. Second Ave., Walla Walla, Wash. **Underwriter**—None.

Government Employees Corp. (6/17)
May 24 filed $661,040 5% convertible capital debentures due June 30, 1967, to be offered for subscription by common stockholders of record June 10, 1957 at the rate of $100 of debentures for each 20 shares of common stock held; rights to expire on July 8, 1957. **Price**—100% of principal amount. **Proceeds**—For working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and Eastman Dillon, Union Securities & Co., New York.

★ Greater Finance Co.
May 27 (letter of notification) 25,000 shares of 5½% cumulative preferred stock (par $10) and 25,000 shares of common stock (par $2), to be offered in units consisting of one share of each class of stock. **Price**—$12 per unit. **Proceeds**—For making small loans. **Office**—5559 North 5th St., Philadelphia 20, Pa. **Underwriter**—None.

Gulf States Utilities Co. (6/18)
May 17 filed 200,000 shares of common stock (no par). **Proceeds**—To repay a portion of outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 18 at Chase Manhattan Bank, 40 Wall Street, New York 15, New York.

Hartford Special Machinery Co.
April 30 (letter of notification) 6,105 shares of common stock being offered to stockholders of record May 24, 1957 on the basis of one new share for each eight shares held; rights to expire June 21, 1957. **Price**—At par ($20 per share). **Proceeds**—For construction and equipment and installation of an incentive wage plan. **Office**—287 Homestead Ave., Hartford, Conn. **Underwriter**—None.

Haydu Electronic Products, Inc.
June 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1426 West Front St., Plainfield, N. J. **Underwriter**—Berry & Co., Plainfield and Newark, N. J.

Holly Corp., New York
Jan. 25 filed 406,638 shares of 50-cent convertible preferred stock, series A (par $5) and 2,476,116 shares of common stock (par 60 cents), of which all of the preferred and 763,011.3 shares of common stock are being offered in exchange for Mount Vernon Co. preferred and common stock on the basis of one Holly series A share for each of the 406,638 shares of Mount Vernon preferred stock and 2½ shares of Holly common stock for each of the 305,204.52 shares of Mount Vernon common stock. Of the remainder, 210,000 Holly common shares are being offered to certain holders of 35,000 shares of Van Dorn Iron Works Co. common stock on a six-for-one basis; 38,333 Holly common shares are offered to certain finders, 60,000 shares to certain vendors of property; 1,016,595 shares will be reserved against conversion of preferred stock; and the remaining 388,176 are to be reserved for possible issuance at a future date in exchange for 64,696 shares of Van Dorn Iron Works common stock. The offers will expire on July 10. **Underwriter**—None. Statement effective April 24.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Household Finance Corp. (6/25)
June 4 filed $40,000,000 of sinking fund debentures due 1982. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Lee Higginson Corp. and White, Weld & Co., both of New York, N. Y.; and William Blair & Co., Chicago, Ill.

Household Gas Service, Inc., Clinton, N. Y.
May 29 (letter of notification) $75,000 of first mortgage 5% sinking fund bonds due May 1, 1965. **Price**—90% of principal amount. **Proceeds**—For equipment repayment of debt and working capital. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

★ H-P Distributing Co. of D. D., Inc.
June 5 (letter of notification) 34,000 shares of class B non-voting common stock (par $1) to be offered as follows: 19,000 shares at $5 per share; 10,000 shares at $10 per share and 5,000 shares at $20 per share. **Proceeds**—For general operating funds and reserve fund. **Office**—5817 Baltimore Blvd., Riverdale, Md. **Underwriter**—None.

Ignacio Oil & Gas Co., Denver, Colo.
May 20 filed 650,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For drilling and completion of test wells; for acquisition and exploration of additional properties; and for working capital. **Underwriter**—None. W. Clay Merideth is President.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

International Fidelity Insurance Co., Dallas, Tex.
March 28 filed 100,000 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Franklin Securities Co., Dallas, Texas.

★ International Insurance Investments, Inc.
June 10 filed 118,140 shares of common stock (par $1) and warrants to purchase 354,420 additional shares of common stock to be offered in units of one common share and three warrants to buy three common shares. **Price**—$3.75 per unit. Each warrant entitles holder to purchase one common share at $2.75 per share. **Proceeds**—To acquire stock of fire insurance unit and for general corporate purposes. **Office**—Englewood, Colo. **Underwriter**—American Underwriters, Inc., also of Englewood, Colo.

Investors Variable Payment Fund, Inc.
March 25 filed 10,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Sponsor and Investment Manager**—Investors Diversified Services, Inc., Minneapolis, Minn., which will also act as distributor.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

★ Jersey Central Power & Light Co. (7/16)
May 29 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—To be received up to 11 a.m. (EDT) on July 16 at office of General Public Utilities Corp., 67 Broad Street, New York 4, N. Y.

★ Jewel Tea Co., Inc.
May 31 (letter of notification) 5,660 shares of common stock (par $1) to be offered to employees under a stock purchase plan. **Price**—$2 below sales price on the New York Stock Exchange (estimated at $53 per share). **Proceeds**—For working capital. **Office**—1955 W. North Ave., Melrose Park, Ill. **Underwriter**—None.

★ Kaiser Aluminum & Chemical Corp. (6/26)
June 6 filed 300,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and to retire bank loans. **Underwriters**—The First Boston Corp. and Dean Witter & Co., San Francisco, Calif.

Kerr-McGee Oil Industries, Inc. (6/20)
May 31 filed $20,000,000 of sinking fund debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for capital expenditures. **Underwriters**—Lehman Brothers, New York; and Straus, Blosser & McDowell, Chicago, Ill.

Kerr-McGee Oil Industries, Inc. (6/20)
May 31 filed 225,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriters**—Lehman Brothers, New York; and Straus, Blosser & McDowell, Chicago, Ill.

★ Klassen Enterprises, Inc., Hayward, Calif.
May 29 (letter of notification) 300,000 shares of capital stock, of which 100,000 shares are being offered to outstanding shareholders in exchange for such outstanding shares and certain claims against the company; the remaining 200,000 shares are to be offered to the public. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—22105 Meekland Ave., Hayward, Calif. **Underwriter**—Stephenson, Leydecker & Co., Oakland, Calif.

• Lake Lauzon Mines Ltd., Toronto, Can. (6/18)
March 18 filed 750,000 shares of common stock (par $1). **Price**—40 cents per share. **Proceeds**—For drilling expenses, equipment, working capital and other corporate purposes. **Underwriter**—Steven Randall & Co., Inc., New York.

★ Lamson Corp. of Delaware
June 10 (letter of notification) 5,000 shares of common stock (par $5) to be offered to employees of company and its subsidiaries. **Price**—$12.50 per share. **Proceeds**—For general corporate purposes. **Office**—Syracuse 1, N. Y. **Underwriter**—None.

Louisiana-Delta Offshore Corp. (6/26)
June 5 filed 346,289 shares of common stock, of which 100,008 shares are to be sold for the account of the company and 246,281 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire $175,000 debentures now outstanding and for general corporate purposes. **Underwriter**—Smith, Barney & Co., New York.

Marion Finance Corp., Ardmore, Pa.
March 28 filed $250,000 of 6% renewable subordinated debentures, due upon demand May 1, 1967, without demand May 1, 1972. **Price**—At par (in units of $100 and $500 each). **Proceeds**—For working capital. **Office**—17 W. Lancaster Ave., Ardmore, Pa. **Underwriters**—Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York; and Berry & Co., Plainfield, N. J.

★ Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ Metropolitan Toronto (Municipality of) (Province of Ontario) (6/26)
June 6 filed $39,372,000 of debentures to consist of (a) $34,919,000 sinking fund debentures due in varying amounts on July 1, 1962, 1967, 1972, 1977, 1982 and 1987, and (b) $4,453,000 instalment debentures due July 1, 1958-1977, inclusive. **Price**—To be supplied by amendment. **Proceeds**—For improvements and other capital expenditures. **Underwriters**—Harriman Ripley & Co. Inc.; Dominion Securities Corp.; The First Boston Corp.; Smith, Barney & Co.; Wood, Gundy & Co. Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc.; all of New York.

Michigan Consolidated Gas Co. (6/17)
May 22 filed $30,000,000 of 25-year first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; White, Weld & Co. and Lehman Brothers (jointly). **Bids**—To be received up to 11 a.m. (EST) on June 17 at 415 Clifford St., Detroit 26, Mich.

• Microwave Associates, Inc. (6/19-20)
May 29 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To discharge bank loans and to finance inventory and accounts receivable and expenditures for development of new products. **Business**—To develop and produce components for radar systems. **Underwriter**—Lehman Brothers, New York, who has acquired from the company an option to purchase up to 20,000 shares of common stock at $7 per share during the period beginning Nov. 24, 1957 and ending May 24, 1962. **Company's Office**—Burlington, Mass.

Mississippi Valley Portland Cement Co.
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

Montana-Dakota Utilities Co. (6/19)
May 27 filed $10,000,000 of debentures due June 1, 1977 (convertible through May 31, 1967). **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blair & Co., Incorporated. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 19 at City Bank Farmers Trust Co., Two Wall St., New York, N. Y.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

★ Montreal (City of) (7/10)
June 7 filed $7,200,000 of 5¼% sinking fund debentures due Feb. 15, 1977 and $17,800,000 of 5¼% sinking fund debentures due March 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For local improvement and public works. **Underwriter**—To be determined by competitive bidding. Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler, will head one group.

★ Mortgage Investment Foundation, Inc.
May 28 (letter of notification) $300,000 of 8% 3-year first and second mortgages to be offered in denominations of $500 and $1,000 (an offer of rescission in the amount of $195,253 is included). **Proceeds**—For buying of inventory and working capital. **Office**—Miami National Bank Bldg., Biscayne Blvd., Miami, Fla. **Underwriter**—None.

Mountain States Telephone & Telegraph Co. (7/1)
June 5 filed 584,176 shares of capital stock (par $100) to be offered for subscription by stockholders of record June 20, 1957 on the basis of one new share for each five shares held; rights to expire on July 31. Subscription warrants are expected to be mailed on July 1. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, which owns 86.74% of the presently outstanding shares. **Underwriter**—None.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President**—T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

Mutual Minerals, Inc.
April 22 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For purchase of royalty and working interests. **Office**—1518 Walnut St., Philadelphia 2, Pa. **Underwriter**—Walter S. Sachs & Co., Inc., Philadelphia, Pa.

★ Nashua Corp.
May 29 (letter of notification) an undetermined number of shares of class B common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To go to executors of Estate of Hubert L. Carter. **Office**—44 Franklin St. Nashua, N. H. **Underwriter**—Kidder, Peabody & Co., Inc., Boston 1, Mass.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. **Offering**—Indefinite.

★ National Tea Co., Chicago, Ill.
June 12 filed 48,720 shares of common stock (par $5) to be offered in exchange for common stock of Tolerton & Warfield Co. of Sioux City, Iowa, on the basis of 7½ shares of National Tea for each Tolerton share. The offer will expire on July 22, 1957, unless extended.

★ National Telefilm Associates, Inc.
June 12 filed $5,000,000 of 6% sinking fund subordinated notes due June 15, 1962, with common stock purchase warrants attached; and 350,000 shares of common stock (par 10 cents). Each $500 note will carry a warrant to purchase 50 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To retire $5,000,000 of current indebtedness; and for working capital and general corporate purposes. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; Cantor, Fitzgerald & Co., Beverly Hills, Calif.; and Westheimer & Co., Cincinnati, Ohio.

New Brunswick (Province of)
Dec. 14 filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

★ New Cornelia Extension Copper Corp.
May 31 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—129 South State St., Dover, Del. **Underwriter**—Willis E. Burnside & Co., Inc., New York, N. Y.

★ Newport News Shipbuilding & Dry Dock Co.
June 6 filed 60,000 shares of common stock (par $1) to be offered under the company's "Restricted Stock Option Plan" to certain employees of the company.

Northwest Telephone Co.
March 28 (letter of notification) 7,200 shares of common stock (par $5) to be offered first to stockholders on a preemptive basis; unsubscribed to employees; and remainder to public. **Price**—$16 per share. **Proceeds**—For construction, payment of current liabilities and working capital. **Office**—1313 Sixth St., Redmond, Ore. **Underwriter**—None.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par ($10 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Outboard Marine Corp. (6/17)
May 24 filed 486,058 shares of common stock (par 30 cents) to be offered for subscription by common stockholders of record June 14, 1957 on the basis of one new share for each 15 shares held; rights to expire on July 1, 1957. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

Oxford County Telephone & Telegraph Co.
April 18 (letter of notification) 6,000 shares of common stock to be offered to present stockholders on the basis of preemptive rights, thereafter to the public. **Price**—At par ($5 per share). **Proceeds** — For converting exchange at Turner from a manual service to a dial automatic exchange. **Office**—Buckfield, Me. **Underwriter**—None.

● Pacific Finance Corp.
May 29 filed 164,604 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans and for working capital. **Underwriters** — Blyth & Co., Inc. and Hornblower & Weeks, both of New York, N. Y., and Los Angeles, Calif.

Pacific Natural Gas Co., Longview, Wash.
May 28 filed $1,000,000 of subordinate interim notes due 1963 and 20,000 shares of common stock (par $1) to be offered in units of a $50 note and one common share. **Price** — To be supplied by amendment. **Proceeds** — To repay short-term debt and other current liabilities and for construction program. **Underwriters**—Names to be supplied by amendment.

Pacific Power & Light Co. (7/10)
June 4 filed 376,600 shares of common stock (par $6.50) to be offered for subscription by common stockholders of record July 10, 1957 on the basis of one new share for each 10 shares held; rights to expire on Aug. 1. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers, Eastman Dillon, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Ladenburg, Thalmann & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 10.

Pancal Oil Corp.
May 13 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For oil drilling expenses. **Office**—27 William St., New York, N. Y. **Underwriter** — Bush Securities Co., New York, N. Y.

★ Panorama Sales Corp.
June 3 (letter of notification) 5,500 shares of class B common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—7360 Castor Ave., Philadelphia 15, Pa. **Underwriter**—None.

Paramount Enterprises, Inc.
June 3 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For payment of loans and working capital. **Business**—Phonograph records. **Office** — 383 Concord Ave., New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

Pepsi-Cola Mokan Bottlers, Inc.
April 11 (letter of notification) 60,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For general funds of the company. **Office**—207 West 8th St., Coffeyville, Kan. **Underwriter** — G. F. Church & Co., St. Louis, Mo.

Philadelphia Electric Co.
May 14 filed 609,815 shares of common stock (no par) being offered for subscription by common stockholders of record June 4, 1957 at the rate of one new share for each 20 shares held; rights to expire on June 25. **Price**—$36.25 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York.

Philip Morris, Inc., New York
May 28 filed 385,000 shares of common stock (par $5) to be offered in exchange for common stock of Milprint, Inc., Milwaukee, Wis., on a share-for-share basis. The offer will become effective upon deposit of at least 346,500 Milprint common shares. The offer will expire on July 19. **Underwriter** — None. Lehman Brothers acted as intermediary in negotiating the transaction.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

● Portland Gas & Coke Co.
May 22 filed 226,194 shares of common stock (par $9.50) being offered for subscription by common stockholders of record June 10, 1957 on the basis of one new share for each five shares held; rights to expire on July 1. **Price** — $16.25 per share. **Proceeds** — For construction program. **Underwriter**—Lehman Brothers, New York.

★ Progressive Farmer Co., Birmingham, Ala.
June 3 (letter of notification) 467 shares of common stock to be offered for subscription by key employees pursuant to a stock incentive plan. **Price**—$90 per share. **Proceeds**—For working capital. **Office**—821 N. 19th St., Birmingham 2, Ala. **Underwriter**—None.

Prudential Investment Corp. of South Carolina
April 30 filed 209,612 shares of common stock. **Price**—$1.20 per share. **Proceeds** — For general corporate purposes. **Underwriter** — None. J. C. Todd of Columbia, S. C., is President and Board Chairman.

Public Service Electric & Gas Co. (6/18)
May 29 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Puget Sound Power & Light Co. (6/25)
May 17 filed $20,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp. **Bids**—To be received at 90 Broad Street, New York, N. Y., up to noon (EDT) on June 25.

Pyramid Productions, Inc., New York
Sept. 27, 1956, filed 220,000 shares of com. stock (par $1) of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

Resource Fund, Inc., New York
March 29 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. D. John Heyman of New York is President. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

Rimrock Tidelands, Inc., Shreveport, La. (6/25)
June 3 filed 1,200,000 shares of capital stock (par 20 cents). **Price**—To be supplied by amendment. **Proceeds**—For equipment and working capital. **Underwriter**—Bear, Stearns & Co., New York.

Rochester Gas & Electric Corp. (7/2)
May 29 filed $15,000,000 of first mortgage bonds, series R, due 1987. **Proceeds**—To discharge short-term obligations and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Shields & Co.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on July 2.

Rota Parking, Inc.
May 13 (letter of notification) 275,000 shares of common stock to be offered to stockholders and the public. **Price**—At par $1 per share). **Proceeds**—For expenses incident to development of a new concept of mechanical parking. **Office**—515 Maritime Bldg., 911 Western Ave., Seattle, Wash. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Expected within the next few weeks.

St. Regis Paper Co.
April 1 filed 850,000 shares of common stock (par $5) to be offered in exchange for common stock of St. Paul & Tacoma Lumber Co. on the basis of 56⅔ shares of St. Regis stock for each share of Lumber company stock. The offer will be declared effective if 95% of the latter stock is deposited for exchange (and may be declared effective at option of St. Regis, if not less than 80% of the stock is deposited).

San Juan Horse Racing Association
April 29 (letter of notification) 259,945 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For construction of a horse racing oval; erection of stable, etc.; in operating a race track and working capital. **Office**—1040 Main St., Durango, Colo. **Underwriter**—None.

★ Sea Harbor Co.
June 3 (letter of notification) voting trust certificates for 790 shares of class A and 1,396 shares of class B capital stock (no par). **Voting Trustees**—Louis J. Gumpert, John B. McTigue (Vice-President), William T. Orr (President), Charles G. Terry and Enders M. Voorhees. **Office**—Club Drive, Hewlett Harbor, Long Island, New York.

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● **Seaporcel Metals, Inc. (6/19)**
May 24 filed 340,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered to public. **Price**—$2 per share. **Proceeds**—For new equipment and working capital. **Underwriter**—Charles Plohn & Co., New York.

★ **Sierra Tin & Exploration Co., Inc.**
May 28 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—404 East Main, Farmington, N. M. **Underwriter**—None.

Sire Plan, Inc., New York
May 14 filed $1,000,000 of nine-month 8% fund notes. **Price**—At par (in denominations of $100 each). **Proceeds** —For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

★ **Sonoco Products Co., Hartsville, S. C.**
June 10 filed 60,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 10, 1957. Of the unsubscribed stock, certain employees may subscribe for up to 10,000 shares. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriters** — R. S. Dickson & Co., Inc., Charlotte, N. C.; and G. H. Crawford Co., Inc., Columbia, S. C.

● **Southeastern Fund, Columbia, S. C. (6/24-28)**
June 3 filed $2,000,000 of 6½% sinking fund subordinated debentures due June 15, 1972, of which $1,500,000 principal amount are to be offered for subscription by stockholders; the remaining $500,000 principal amount, plus any unsubscribed debentures, to be publicly offered. Rights will expire on July 15. **Price**—To stockholders, 95% of principal amount; and to public, at 100%. **Proceeds**—For working capital. **Underwriters**—Smith, Clanton & Co., Greensboro, N. C.; Powell & Co., Fayetteville, N. C.; and Frank S. Smith & Co., Inc., Columbia, S. C.

Southern Bell Telephone & Telegraph Co. (6/18)
May 28 filed $70,000,000 of 29-year debentures due June 1, 1986. **Proceeds** — To repay advances from parent, American Telephone & Telegraph Co., expected to amount to approximately $36,000,000, and for additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 18 at Room 2315, 195 Broadway, New York, N. Y.

★ **Southern California Edison Co. (6/26)**
June 10 filed $40,000,000 of first and refunding mortgage bonds, series I, due July 1, 1982. **Proceeds** — To retire bank loans and for construction program. **Underwriters** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 26.

Southern California Gas Co. (6/26)
May 28 filed $35,000,000 of first mortgage bonds, series C, due 1983. **Proceeds**—To repay loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Tentatively expected to be received up to 8:30 a.m. (PDT) on June 26.

Southern Discount Co., Atlanta, Ga.
May 23 (letter of notification) $60,000 of subordinated non-convertible 5% debentures, series G, due Oct. 1, 1975 (in denominations of $500 and $1,000 each), to be offered in exchange for series D, E or F debentures. **Office**—919 W. Peachtree St., N. E., Atlanta, Ga. **Underwriter**—None.

Spalding (A. G.) & Bros. Inc.
April 11 filed $2,017,300 of 5½% subordinated convertible debentures due June 15, 1962, being offered for subscription by common stockholders of record May 23, 1957 on the basis of $100 of debentures for each 30 common shares held; rights to expire on June 17. **Price**—At par (flat). **Proceeds**—To reduce bank loans. **Underwriter**—None. The largest stockholder, Pyramid Rubber Co., has agreed to purchase all of the debentures not subscribed for by the other stockholders. Statement effective May 17.

★ **Standard Oil Co. (New Jersey)**
June 5 filed 1,058,967 shares of capital stock (par $7) to be offered from time to time by the company to certain executives of the company and of its wholly-owned subsidiaries pursuant to the terms of an "Incentive Stock Option Plan for Executives."

Steadman Investment Fund, Inc., East Orange, N. J.
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J.

Stinnes (Hugo) Corp., New York (6/25)
March 29 filed 530,712 shares of common stock (par $5), of the presently outstanding 988,890 common shares. **Proceeds** — To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders include Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids**—To be received up to 3:45 p.m. (EDT) on June 25 at Office of Alien Property, Washington 25, D. C.

★ **Strato-Missiles, Inc.**
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

Summers Gyroscope Co.
May 20 filed 250,080 shares of common stock (par $1) to be offered for subscription by common stockholders of record May 31, 1957 on the basis of two new shares for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Office**—Santa Monica, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif. **Offering**—Expected today (June 13).

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders of record March 15, 1957 on a basis of two new shares for each share held; rights to expire on July 20. **Price** —To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp. (6/19)
May 29 filed $15,000,000 of debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds** — For new construction. **Underwriter** — Dillon, Read & Co., Inc., New York.

Texas Eastern Transmission Corp. (6/19)
May 29 filed 200,000 shares of preferred stock, subordinate convertible series (par $100). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 3,000,000 shares of common stock (par $1), of which 2,700,000 shares are to be offered to public at $2 per share. The remaining 300,000 shares are under option to original stockholders at $1 per share. **Proceeds** —For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

Thriftimart, Inc., Los Angeles, Calif. (6/26)
May 31 filed $5,000,000 of convertible subordinated debentures due 1977. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program and working capital. **Underwriters**—Reynolds & Co., Inc., New York, and Lester, Ryons & Co., Los Angeles, Calif.

● **Timken Roller Bearing Co., Canton, O.**
May 21 filed 484,276 shares of common stock (no par) being offered for subscription by common stockholders of record June 12 on the basis of one new share for each 10 shares held; rights to expire July 1. **Price**—$40 per share. **Proceeds**—For capital improvement and working capital. **Underwriter**—Hornblower & Weeks, New York.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

Trans World Airlines, Inc., New York (6/18)
May 28 filed 3,337,036 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 17, 1957 at the rate of one new share for each share held; rights to expire on July 8. **Price**—To be supplied by amendment. **Proceeds** — To pay for aircraft and other equipment. **Underwriter** — None. Hughes Tool Co., the holder of 2,476,142 shares of TWA common stock may purchase any unsubscribed shares.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

U. S. Semiconductor Products, Inc.
April 11 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For purchase of new materials and working capital. **Office** — Phoenix, Ariz. **Underwriter** — Jonathon & Co., Los Angeles, Calif.

United Utilities, Inc., Abilene, Kansas
April 25 filed 105,000 shares of common stock (par $10) being offered in exchange for stock of Oregon-Washington Telephone Co. on the basis of 2½ shares for each Oregon-Washington common share and five shares for each Oregon-Washington preferred share. This offer is subject to acceptance by not less than 80% of each class of stock and will expire on July 1. **Dealer-Manager** —Zilka, Smither & Co., Inc., Portland, Ore.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Vanadium-Alloys Steel Co., Latrobe, Pa.
May 13 filed 51,000 shares of capital stock (par $5) to be offered for subscription by stockholders at the rate of one new share for each 10 shares held as of record June 4, 1957; with rights to expire June 19. **Price**—$38.50 per share. **Proceeds** — For expansion program. **Underwriter**—Goldman, Sachs & Co., New York.

★ **Washington Water Power Co. (7/10)**
June 11 filed $30,000,000 of first mortgage bonds due 1987. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co., all of New York.

West Penn Power Co. (7/10)
June 3 filed $20,000,000 of first mortgage bonds, series Q, due July 1, 1987. **Proceeds**—Together with proceeds from sale of about $12,400,000 of common stock in March and April, 1957, to carry out construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11 p.m. (EDT) on July 10 at office of West Penn Electric Co., 50 Broad Street, New York, N. Y.

Western Printing & Lithographing Co.
May 15 filed $3,037,640 of 5% serial notes due Dec. 1, 1958 to 1967, inclusive to be offered, together with cash, in exchange for 151,882 shares of capital stock of Kable Printing Co. (Ill.) on the basis of $20 of notes and $6 in cash for each share held. This offer which is to expire July 12, is conditioned upon the acceptance by holders of at least 130,000 shares of Kable stock (about 85%). Holders of Kable stock who own less than 51 shares will receive cash at the rate of $26 per share. **Office**—Racine, Wis. **Underwriter**—None.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Woodland Oil & Gas Co., Inc., New York
May 28 filed 700,000 shares of common stock (par 10 cents), of which 600,000 shares are to be offered for account of company and 100,000 shares for account of a selling stockholder, Ralph J. Ursillo, General Manager of the company. **Price**—$1.50 per share. **Proceeds**—To drill and complete oil wells on the company's Pennsylvania and Kentucky properties and for two "deep tests" on its Pennsylvania property, as well as for working capital. **Underwriter**—Name to be supplied by amendment.

● **Zapata Petroleum Corp. (6/24-28)**
June 3 filed $3,000,000 of convertible debentures due 1972. **Price**—At par. **Proceeds**—To retire bank loans; for development of producing properties; and for working capital. **Underwriter** — G. H. Walker & Co., St. Louis, Mo. and New York, N. Y.

Prospective Offerings

Airborne Instruments Laboratory, Inc.
May 16 it was announced company plans to issue and sell $2,000,000 of 15-year 5¼% unsecured subordinated convertible debentures. American Research & Development Corp., owner of 31,500 shares or 15.8% of Airborne's stock, propose to purchase $320,000 of the new debentures. **Proceeds**—Together with $4,000,000 to be borrowed from institutional investors, for a building and expansion program.

● **Allied Paper Corp. (7/15-19)**
June 10 it was reported company now plans to issue and sell $3,500,000 of subordinated convertible debentures. **Proceeds**—To build new mill at Kalamazoo, Mich. **Underwriter** — Glore, Forgan & Co., Chicago, Ill., and New York, N. Y. **Offering**—Expected about the middle of July.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Bank of Douglas, Phoenix, Ariz.
May 29 it was announced stockholders of record May 28 have been offered 160,000 additional shares of capital stock (par $5) on the basis of one new share for each 2½ shares held; rights to expire on June 14. **Price**—$14 per share. **Proceeds** — To increase capital and surplus and used to acquire Farmers & Stockmen's Bank of Phoenix. **Underwriter**—William R. Staats & Co., San Francisco, Calif.

Bell Telephone Co. of Pennsylvania (7/30)
April 25 it was announced company plans to issue and sell $50,000,000 of new debentures due 1997. **Proceeds**—To redeem $50,000,000 of 5% series C bonds. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 30.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

• Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year about $7,500,000 of unsecured debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

★ Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

• Chicago & Eastern Illinois RR. (6/25)
Bids will be received by the company up to noon (CDT) on June 25 for the purchase from it of $2,130,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Chicago & North Western Ry. (6/27)
Bids are expected to be received by the company up to noon (CDT) on June 27 for the purchase from it of $2,235,000 equipment trust certificates to mature annually from July 15, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR.
Bids are expected to be received by the company in July for the purchase from it of about $3,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
March 6 it was reported the company plans to offer publicly $7,800,000 of interim notes and 678,900 shares of $1 par stock in units. (Common stock not sold in units would be purchased by Delhi-Taylor Oil Corp., or its stockholders at an average price of $10 per share.) **Proceeds**—Together with funds from private sale of $40,000,000, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

• Columbia Gas System, Inc.
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received in September.

Columbus & Southern Ohio Electric Co.
Feb. 21 it was reported that company plans to issue and sell in the Fall $8,000,000 of cumulative preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Commerce Oil & Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York. **Offering**—Expected in August.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc.
May 20, H. R. Searing, Chairman, said the company will probably sell a new issue of first and refunding mortgage bonds later on this year. [On Oct. 24, 1956, $40,000,000 of these bonds, series M, due 1986, were offered and sold.] **Proceeds**—From this issue and from bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Natural Gas Co.
May 9 it was announced company plans to issue and sell $25,000,000 25-year debentures in October in addition to $25,000,000 sold on June 11. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly).

Consumers Power Co.
April 22 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds this Fall. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly).

Detroit Edison Co.
May 6 it was announced company plans to sell in 1957 about $60,000,000 of mortgage bonds. **Proceeds** — For construction program (estimated to cost about $89,000,000 this year). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Coffin & Burr, Inc., and Spencer Trask & Co. (jointly). **Bids** — Now expected to be received in latter part of June.

Duke Power Co. (9/10)
April 22 it was reported company plans to issue and sell $50,000,000 of first refunding mortgage bonds. **Proceeds** —To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

Emerson Electric Manufacturing Co.
June 3 it was announced company plans to offer stockholders rights to subscribe to approximately $3,000,000 of convertible debentures early this summer. **Proceeds** —For working capital. **Underwriter**—Smith, Barney & Co., New York. **Registration**—Expected later this month.

Erie RR. (6/20)
Bids are expected to be received by this company in Cleveland, Ohio, up to noon (EDT) on June 20 for the purchase from it of $2,925,000 equipment trust certificates to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• First National Bank of Fort Worth
June 5, company offered to its stockholders the privilege of subscribing for 100,000 additional shares of capital stock (par $10) on the basis of one new share for each 6½ shares held as of June 4; rights to expire on June 24. **Price**—$24 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Dallas Union Securities Corp. and First Southwest Corp., both of Dallas, Texas.

First National City Bank of New York (6/28)
May 17 it was reported Bank plans to offer its stockholders the right to subscribe for 2,000,000 additional shares of capital stock (par $20) on the basis of one new share for each five shares held as of June 24, 1957; rights to expire on July 22, 1957. Warrants are expected to be mailed on or about June 28. **Price**—$60 per share. **Proceeds**—To increase capital and surplus. **Underwriter** —The First Boston Corp., New York.

General Telephone Co. of California
May 3 it was announced application has been made to the California P. U. Commission for authority to issue and sell 500,000 shares of 5% cumulative preferred stock (par $20). **Proceeds**—For construction program. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Tire & Rubber Co.
May 10 it was reported that this company is considering an issue of convertible subordinated debentures, probably around $15,000,000, which may first be offered for subscription by common stockholders. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

Great Northern Ry. (7/17)
Bids are expected by the company to be received on July 17 for the purchase from it of $4,965,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Gulf States Utilities Co.
March 4 it was reported company plans to issue and sell $16,000,000 first mortgage bonds in November. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp.

Gulf States Utilities Co.
April 8 it was reported company tentatively plans to issue and sell some preferred stock this year. **Proceeds** —To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Hanna Steel Co., Birmingham, Ala.
April 8 it was reported company plans to issue and sell 120,000 shares of class A common stock. **Price**—$5 per share. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Offering**—Expected in June.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Idaho Power Co.
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

Indiana & Michigan Electric Co. (10/15)
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds** —For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 15.

Indianapolis Power & Light Co.
Nov. 21, 1956, H. T. Prichard, Pres., announced that present plans contemplate an issue of $6,000,000 of preferred stock some time in 1957 if market conditions make it feasible, and an issue of $8,000,000 in bonds in 1958. Temporary bank loans are available and probably will be utilized, during at least part of 1957. Additional securities will need to be sold in 1959 and 1960, amounting to approximately $14,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., who underwrote last equity financing.

Iowa Southern Utilities Co.
April 2 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds later this year. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; White, Weld & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly) Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Dean Witter & Co.

Jefferson Lake Sulphur Co.
Dec. 27, 1956, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

★ Lincoln National Bank & Trust Co., Fort Wayne, Ind. (6/18)
June 4 it was reported Bank plans to offer to its stockholders of record June 18, 1957 the right to subscribe on or before July 9, 1957 for 25,000 additional shares of capital stock (par $25) on the basis of one new share for each four shares held. **Underwriter**—Blyth & Co., Inc., Indianapolis, Ind.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

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Louisville Gas & Electric Co. (9/4)
May 14 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received on Sept. 4.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue, and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

• New York Central RR.
Bids were received by the company in New York, N. Y., up to noon (EDT) on June 11 for the purchase from it of $6,450,000 equipment trust certificates. They were received from Halsey, Stuart & Co. Inc. and Salomon Bros. & Hutzler, but were rejected.

Niagara Mohawk Power Corp.
April 22 it was reported company tentatively plans to issue and sell this fall about $40,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

Norfolk & Western Ry. (6/13)
Bids will be received by the company up to noon (EDT) on June 13 for the purchase from it of $6,450,000 equipment trust certificates due semi-annually to and including June 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Northern States Power Co. (Minn.) (8/13)
March 4 it was reported company plans to issue and sell approximately $15,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 13.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Pacific Gas & Electric Co. (7/23)
May 23 it was announced company intends to offer and sell $60,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received on July 23.

Pacific Telephone & Telegraph Co.
May 24 it was announced company plans to offer to its stockholders the right to subscribe for 1,822,523 additional shares of common stock on the basis of one new share for each six shares of common stock and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 89.6% of the voting stock of Pacific T. & T. Co. **Offering**—Expected some time in August.

Pacific Telephone & Telegraph Co. (8/20)
May 24 it was announced company plans to issue and sell $90,000,000 of new 23-year debentures due 1980. **Proceeds**—To repay advances from parent and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Aug. 20. **Registration**—Expected in the latter part of July.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Permian Basin Pipe Line Co.
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000 for new construction. **Underwriter** — Glore, Forgan & Co., New York.

Philadelphia Electric Co.
Feb. 14 it was announced the company plans to issue and sell in the second half of 1957 additional first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly).

Public Service Co. of Indiana, Inc.
Feb. 11 it was announced that it is expected that a new series of first mortgage bonds (about $25,000,000 to $30,000,000) will be issued and sold by the company during the year 1957. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly).

Purex Corp., Ltd. (Calif.)
April 30 it was announced that proceeds of at least $1,200,000 are to be received by the company prior to July 1, 1957 from the sale of new capital stock and used for working capital. **Underwriter**—May be Blyth & Co., Inc., San Francisco and New York.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern Pacific Co. (7/25)
Bids are expected to be received by the company on July 25 for the purchase from it of approximately $9,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds** — For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Oct. 1.

• Tampa Electric Co.
May 8 it was announced company plans to issue and sell $18,000,000 of first mortgage bonds. Postponement of financing was announced on June 6. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Goldman, Sachs & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 17.

• Tampa Electric Co.
May 8 it was announced company plans to issue and sell 217,286 additional shares of common stock, first to stockholders of record about June 26 on a 1-for-10 basis; rights to expire on July 16. Postponement of financing announced on June 6. **Underwriter**—Stone & Webster Securities Corp., New York.

Texas Electric Service Co. (7/9)
May 27 it was reported company plans to issue and sell $10,000,000 of preferred stock. **Proceeds**—For new construction. **Underwriters**—Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane, all of New York, N. Y.

Texas Electric Service Co. (7/15)
May 27 it was announced company expects to sell $10,000,000 of first mortgage bonds due 1987. **Proceeds**—For plant expansion. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on July 15. **Registration**—Planned for June 14.

Tracerlab, Inc.
May 17 Samuel S. Auchincloss, President, announced negotiations were under way with an underwriting firm looking to a public offering of capital stock. **Proceeds**—For working capital. **Business**—Electronics. **Underwriter**—May be Lee Higginson Corp., New York and Boston, who handled previous stock financing.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Utah Power & Light Co. (10/1)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Oct. 1.

Utah Power & Light Co. (10/1)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Oct. 1.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co.
March 8 it was announced company plans also to sell in the Fall $20,000,000 of debt securities. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock this Fall. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—(1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (2) For any common stock (probably first to stockholders), The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly).

Wisconsin Telephone Co. (7/9)
April 3 it was announced company plans to issue and sell $30,000,000 of 35-year debentures due 1992. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received at 195 Broadway, New York, N. Y., on July 9.

Continued from page 12

Wage Inflation Analyzed By Conference Board Forum

tentative figures seem to show that 1956 was a year of a cost squeeze.

ALBERT E. REES

Associate Professor of Economics, University of Chicago

It's often assumed that if we have an increase in wages independently originating and not the consequence of anything else, it must lead to a rise in prices. It may or it may not; the governing factor is the state of demand. We have to bear in mind the two lines of consequences of independent wage increases. They can be followed by inflation provided there is adequate demand, or by deflation or unemployment if there is not adequate demand.


Albert Rees

Trade unions have perhaps somewhat less to do with the price level than the monetary authorities have; and monetary policy has more to do with it than some of the discussions of wage inflation would lead us to believe. I would say perhaps a third of the trade unions have raised the wages of their members by 15% to 20% above what they might be in a nonunion situation; another third by perhaps 5% to 10%, and the remaining third not at all.

The price rise associated with the Korean war started on the demand side with the scare buying at the outbreak of the war, and again when the Chinese came into the war. Afterwards prices leveled off, and finally turned up in 1956. The 1956 situation represents a change. The very substantial gains of the trade unions in 1956 may be part of this change. The unprecedented level of investment in 1956 as also part of it.

GEORGE P. HITCHINGS

Manager, Economic Analysis Dept. Ford Motor Company

The generating factor in the price rise for consumer goods and services since mid-1955 has been higher payroll costs. The entire increase of $5 billion in national income originating in the manufacturing segment has reflected higher wages and salaries, including fringe supplements.


Geo. P. Hitchings

That increased payroll costs are the main force making for higher prices generally since mid-1955 is also borne out by examination of the money supply increase and the demand for consumer goods relative to supply. The money supply has increased only 1.8% from June, 1955 to November, 1956, on a seasonally adjusted basis, and there is no evidence of excess consumer demand. The increase in payroll costs for manufacturing in 1956 has been owing to higher average hourly earnings, which have increased 10% since mid-1955. An increase of this magnitude could not be absorbed through an increase in productivity.

A cost increase cannot automatically be passed on as a price increase. Prices may be increased initially but whether they are maintained depends upon the market for the product. Through monetary policy, we can restrict the market for the product. If we want to tighten enough, we can prevent a demand sufficient to absorb the supply at that price level. But in so doing we create a situation which undoubtedly would lead to more unemployment.

A. D. H. KAPLAN

The Brookings Institution

The evidence is that prices in general have moved up in the past decade by about the rate at which the rise in wage rates has exceeded the rise in labor output per hour.

We have had a continuously high level of employment; and some increase, certainly, per family, in the level of living obtainable and with total wages paid. It may be that we've taken to a pattern in which we are prepared, for the sake of getting this high employment, to have a creeping type of inflation. To be sure, it is not the ideal balance for an economy.


A. D. H. Kaplan

When wages are moving ahead of productivity — when management's resourcefulness is not able to cope with increased unit costs— the economy is being weakened and is headed for a showdown in resistance to further savings and investment. Neither the wage earner nor anybody else can in the long run win that way. Many leading employers had to learn the hard way, in the decades between the World Wars, that the wage earners must have the means of buying the product before production can be profitably expanded. Now the employees who have been the chief beneficiaries of rising dollar incomes must similarly learn that savings make jobs; and that it takes the purchases of those with fixed incomes as well as the others to keep the growing labor force gainfully employed.

BRADFORD B. SMITH

Economist, U. S. Steel Corp.

We have had in our lifetime three great inflations. In World War I, there was a great commodity price inflation. While we were looking backward carefully at prices, another kind of inflation crept up on us — an historic stock-market inflation about which we learned by the hard way of experience. While once again looking backwards, we have bumped into another kind of great inflation, which, I infer, we are again going to learn about only by the hard way. This time it is a monumental wage inflation.


Bradford B. Smith

Big increases, year by year, in the basic, underlying costs of all industrial production must find reflection in prices or in unemployment. The result appears in prices, because unemployment is politically more repugnant than the accommodating monetary inflation.

We are going to go on and see our dollar steadily depreciating, or we are going to have a lot of unemployment, or we are going to curb the abuse of labor monopoly power. The choice that the nation has thus far made is that we will validate, through our monetary mechanisms, this regular increase in basic underlying cost. We haven't been able in the steel industry to accommodate this increase in cost, and so have had to increase our prices.

IRA T. ELLIS

Economist, E. I. du Pont de Nemours & Co.

Wages are not the only factor that raises prices. For the 10 years after the war, this country has been enjoying generous prosperity, based partly on the pent-up demand that developed during the war, on easy credit, on the money supply built up during the war, and on the effort to provide high employment. Labor's being in the saddle is a reflection of the fact that the birthrate in this country was quite low in the early 1930's. We now have a situation of large increases in total population without large increases in the working population. We have a chronic labor shortage. The condition we are talking about is primarily a reflection of the current shortage of labor. It won't continue indefinitely at anything like the present serious rate.


Ira T. Ellis

We may have a few more years of increases in commodity prices. Then we'll get labor demand and supply brought into balance and we'll go on with a competitive economy where there will be some restraint on excessive wage increases. Wages will still rise, of course, as the productivity of labor rises, but we may then have a stable price level.

SOLOMON FABRICANT

Director of Research, National Bureau of Economic Research, Inc. Professor of Economics New York University

I don't think we have entirely licked the problem of unemployment, but I do think that the problem of inflation has become more important in peacetime, or what amounts to peacetime, than it used to be.


Dr. S. Fabricant

We must continue to emphasize that excessive wage-rate increases are not the way to prosperity for the members of a union, taking ultimate effects into account. Even the immediate effect may not always be beneficial, particularly when it leads quickly to cuts in hours and employment. At the same time we must educate the public to the importance of monetary policy.

It is not the responsibility of government to bail out every excessive wage increase that might be requested and obtained. While it would be very difficult for government to maintain a monetary policy which would lead to large unemployment, it is the responsibility of government to maintain a policy which might lead to little bits of unemployment in those areas where wages and prices have become extreme.

JULES BACKMAN

Professor of Economics, School of Commerce, Accounts and Finance, New York University

The price rise since June of 1955 has been due to two factors: the boom, and the increases in labor costs.

One of the proposed solutions for the wage-price rises we have been experiencing is the suggestion we might impose wage and price controls. Prices and wages play valuable roles in steering resources. They have both stimulating and rationing functions. When wages or prices are fixed, these roles are largely destroyed and production tends to be distorted.

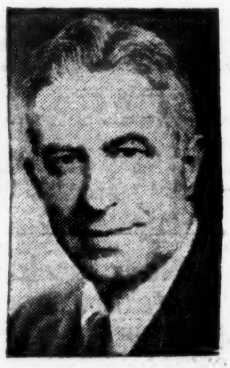

Jules Backman

The ill effects of inflation can be avoided if labor costs are kept within bounds. Management has a responsibility to fight, and to fight hard, against excessive increases in labor costs. Government has a responsibility not to intervene.

OLIN G. SAXON

Professor of Economics Yale University

The time has come, and long since passed, when we need legislation at the Federal level to correct the present situation. There is a primary problem of public education. It won't be too far in the future before the country realizes it is faced with the same type of unfair practices, to the detriment of the public interest, they found in 1887 in the railroads, or in 1890 among the widespread industrial pools and trusts and other combinations in restraint of trade.


Dr. O. Glenn Saxon

Fundamentally we are in an inflationary wage-price spiral. Of course, no one can say that labor is solely responsible for the price rise, but without doubt, it is the major factor.

MARTIN R. GAINSBRUGH

Chief Economist, National Industrial Conference Board

The current inflation has gone on in the face of a tight monetary policy. It has occurred in the presence of a Federal surplus. It was not touched off by speculative fever or by a stock market or land or commodity boom, as in the past. It was accompanied by a shrinkage rather than an expansion in profit margins. Finally, several pivotal wage increases came before rather than after price increases. In past inflations, prices moved upward first and wage rates lagged.


M. R. Gainsbrugh

We have learned of the close relationship over time between unit labor costs and finished goods prices, and the extent to which wage costs in current dollars, including fringe benefits of all forms, have outstripped the gains in productivity since World War II. But the basic mechanisms we have devised to deal with this inflation are the same as those we used for traditional inflation. They are designed to dampen down pressures from the demand side.

A new note to the longer-term problem was the emphasis placed here on the imbalance prevailing in the bargaining process. Over the longer term, perhaps there is much to be gained from a restoration of a better balance in the entire bargaining process.

COMING EVENTS

In Investment Field

June 11-14, 1957 (Canada)
Investment Dealers' Association of Canada Convention at Jasper Park Lodge, Alberta, Canada.

June 13-14, 1957 (Cincinnati, Ohio)
Cincinnati Municipal Bond Dealers Group annual spring party at Sheraton Gibson and the Maketewah Country Club.

June 14, 1957 (Milwaukee, Wis.)
Milwaukee Bond Club annual Field Day at Oconomowoc Lake Club and Oconomowoc Country Club.

June 14, 1957 (New York City)
Municipal Bond Club of New York annual field day at Westchester Country Club and Beach Club, Rye, N. Y.

June 14, 1957 (Philadelphia, Pa.)
Investment Association of Philadelphia annual outing at Philadelphia Cricket Club.

June 18, 1957 (New York, N. Y.)
New York Society of Security Analysts, Inc. annual outing at Westchester Country Club.

June 18, 1957 (Detroit, Mich.)
Securities Dealers Association of Detroit & Michigan summer outing at Western Golf & Country Club.

June 19-20, 1957 (Minneapolis-St. Paul)
Twin City Bond Club annual outing and picnic with cocktail party at Hotel Nicollet June 19 and an all day sports program at the White Bear Yacht Club, White Bear Lake, Minn. June 20.

June 21, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia, summer outing at Whitemarsh Country Club, Whitemarsh, Pa.

June 21, 1957 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at the Overbrook Golf Club, Ithan, Pa.

June 22, 1957 (Chicago, Ill.)
Bond Traders Club of Chicago 31st annual Field Day at Midwest Country Club.

June 28, 1957 (New York City)
Investment Association of New York annual outing at Apawamis Club, Rye, N. Y.

June 28, 1957 (New York City)
Municipal Bond Women's Club of New York annual outing at Morris County Golf Club.

June 28, 1957 (New York City)
Syndicats annual outing at the Nassau Country Club, Glen Cove, Long Island, New York.

Aug. 1-2, 1957 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group of IBA annual summer frolic and golf tournament at the Columbine Country Club.

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Record Sales for Philadelphia Fund

Record sales of Philadelphia Fund shares for May and the first five months of 1957 were reported by Roy R. Coffin, President.

May sales amounted to $280,667 for an increase of 297% over the total of $70,679 in May, 1956.

For the first five months of 1957 sales totaled $926,923 up 81% over the sales of $511,393 in the like period last year.

New du Pont Branch

SARASOTA, Fla. — Francis I. du Pont & Co. has opened a branch office at 1236 North Palm Avenue under the direction of Donald L. Larsen. Robert F. Keating and John L. Kitchens are also associated with the firm.

Mutual Funds

By ROBERT R. RICH

The Case for Electric Utility Common Stocks

"When you look at the strong market action of industrial stocks, how can you justify buying the stocks of utilities?" This question was posed by a member of a seminar held at Calvin Bullock, Ltd., and the logical reply, as given in the firm's May "Perspective," follows:

"The answer is that utility stocks belong in investment portfolios as complements to more volatile issues. The extent to which they should be so used depends, of course, on the particular time and on the needs and expectations of the person who buys them.

"Under the economic conditions that have prevailed in the postwar era, it is true that the stocks of electric utilities have not matched the industrials in performance. As measured by Standard & Poor's indexes (annual averages), the latter advanced approximately 236% from 1947 to 1956, while the electric company stocks rose only 41%. While the increase for the utilities was not impressive by comparison, it was more than sufficient to compensate for an increase of 22% in the cost of living.

"In the years 1949, 1952 and 1953 the electric stocks performed better than the industrials; and their defensive characteristics were particularly evident in the market downturns of 1949 and 1953. In 1949, for example, the industrials declined 2.2%, while the utilities rose 3.9%. In 1953 the average index of the industrials remained approximately at the level of 1952, while that of the utilities advanced 6.1%.

"With respect to income, the dividends of utilities are surely the safest of all equity securities.

"When the factors of safety of income, moderate growth in rising markets, and defensive ability in falling markets are considered in combination, the importance of utility stocks to a well diversified portfolio is clear."

New Hecker Branch

SUNBURY, Pa.—Hecker & Co. has opened a branch office at 235 Market Square under the management of Eugene K. Fry. Mr. Fry was formerly with Sperry & Co.

Craigmyle, Pinney Branch

MOUNT VERNON, N. Y.—Craigmyle, Pinney & Co. have opened a branch office at 22 West First Street under the management of Alden D. Tompkins and Edgar W. Goldthorpe.

Stock Splits, Higher Dividends, Cited by Group

Stock dividends in two industry classes and increased dividends payments for nine of the Group funds were noted in the second quarter dividend message of Group Securities, Inc., one of America's oldest and largest mutual funds. The dividend message was sent to more than 35,000 shareholders throughout the United States and Abroad.

Shareholders of Industrial Machinery Shares and Steel Shares were given an additional share of stock for each share now held. In both cases, the quarterly dividend, after adjustment, is larger than it was for the previous quarter and also for the same quarter of 1956.

More than $1,100,000 in dividends from net investment income was distributed. This is a 10% increase over the distribution for the second quarter of 1956. Assets of the five funds and sixteen industry classes of Group Securities are now approximately $103 million.

The dividend message described the securities markets of the last three months as a "reflection of a further extension of the period of healthy consolidation in our nation's economy which has now been going on for about two years." The message declared that there is evidence that the economy is about to resume its basic growth. "The wide variation in behaviour of different segments of the economy has provided an opportunity for favorable adjustments in portfolios by management to maximize shareholders' benefits from the long-term growth of the American economy," it stated.

Interest Rates and Common Stocks

Interest rates have advanced after a brief recession. There is no good reason for expecting a decline. Commercial and "other" loans have resumed their sharp advance, offset to only a minor extent by a decrease in the demand for real estate loans. Member banks have again been selling government securities to try to accommodate the enormous demand for commercial loans. The trend of reserve bank discounts for member banks has been upward for the last four months. Any move to ease the money market by the Federal Reserve Banks would probably inflate common stock prices. The general level of interest rates in England is much higher than in the United States, but even so a moderate reduction in the bank rate was followed by a sharp advance in prices on the London Stock Exchange.—From "Axe-Houghton Survey of the General Financial Situation," issued by E. W. Axe & Co., Inc.

Manhattan Bond Fund Dividends Top Half-Million

Manhattan Bond Fund, Inc., a mutual fund investing exclusively in bonds, reports a per-share net asset value of $7.14 on April 30, end of the first half of the 1957 fiscal year. This compares with a figure of $7.38 at the beginning of the period.

Payments from net investment income, based on two quarterly per-share declarations of 8.5c each, totalled $521,021 during the six months ended April 30, according to the fund's semi-annual report. In this connection, the report states that, during the past 10 years, total income dividends paid each year have averaged 35.6c per share and have varied by only 3.5c per share.

Additions to the fund's holdings during the six months ended April 30 included: The Baltimore & Ohio R.R. Co., First Consolidated Mtge. Series B, 4's, 1980; Dresser Industries, Inc., Convertible Subordinated Debentures, 4⅛'s, 1977, and Pioneer Natural Gas Co., Sinking Fund Debentures, 5½'s, 1977.

The following issues were eliminated: Chicago, Milw., St. Paul & Pacific R.R. Co. General Mtge. Income, Series A, 4½'s, 2019, and The New York, New Haven & Hartford Railroad Co., First & Ref. Mtge., Series A, 4's 2007.

Net assets of Manhattan Bond Fund, Inc., at April 30, totalled $21,890,018.

Delaware Fund Resources Cross $50 Million Level

Resources of Delaware Fund have crossed the $50 million mark climaxing a $3.2 million growth in assets since the first of the year, W. Linton Nelson, President, reported.

Mr. Nelson noted Delaware's current asset position at $50,662,396. By way of striking contrast, the Fund's total resources amounted to less than $600,000 at the close of its first complete year of operation.

This latest report marks Delaware Fund as one of the country's fastest growing mutual investment companies. Launched in 1937 as a general account for small investors in this area, the Fund steadily gathered momentum and in 1950 assets had reached the $7 million level. Since then, Delaware has more than quintupled in size outpacing the industry as a whole whose combined resources increased 250% in the same seven-year period.

No longer a local concern owned by a handful of shareholders, Delaware Fund is now a nationally-known financial institution whose shareholder ranks include upwards of 18,000 individuals and institutions throughout the United States and abroad.

A "Work Break"

The current issue of "Brevits," issued by Vance, Sanders & Co., deviates in part from its usual economic content and takes a slightly different approach to the current spate of articles containing advice to those who will complete their formal education this year and enter the business world.

"Keeping in mind," the publication says, "a picture of the young inexperienced graduate starting on his first job, we offer our readers, for a chuckle, the thought expressed in the accompanying card which was recently called to our attention."

"To All Employees!"

"Due to increased competition and a keen desire to remain in business, we find it necessary to institute a new policy—

"Effective Immediately

"We are asking that somewhere between starting and quitting time and without infringing too much on the time usually devoted to lunch period, coffee breaks, rest period, story telling, ticket selling, vacation planning, and the rehashing of yesterday's TV programs, that each employee endeavor to find some time that can be set aside and known as the WORK BREAK."

"To some this may seem a radical innovation, but we honestly believe the idea has great possibilities. It can conceivably be an aid to steady employment and it might also be a means of assuring regular pay checks.

"While the adoption of the Work Break Plan is not compulsory, it is hoped that each employee will find enough time to give the plan a fair trial. It is also hoped that those employees not in favor of adopting the Work Break Idea, will have fully completed their vacation plans."

Three-Dimensional TV

A new television screen, developed by the Naval Research Laboratory, may lead to three-dimensional television, according to the June issue of "Keeping Up," monthly publication of Television Shares Management Corp., sponsors of the $153 million Television-Electronics Fund, Inc.

The basis for the new screen, the publication said, is a process for depositing phosphor on the face of the television tube in the form of thin, transparent films, instead of opaque white powders now in use. The films, the NRL reportedly stated, are more rugged than the powdered screens and provide a new and simplified approach to color television. They allow viewing by television in bright daylight with little loss of contrast.

For color TV, the publication reported, films that create different colors may be deposited on top of each other and may be lighted separately or mixed by controlling the speed or the direction of the electrons in the tube. By using one film of each of the three primary colors, the complete color spectrum can be obtained by proper mixing.

The new process, developed by Dr. Charles Feldman of NRL, has been successfully demonstrated in a full range of colors, which generate bright, sharp pictures.

W. C. Smith Opens

(Special to The Financial Chronicle)

SEPULVEDA, Calif. — Wilfred C. Smith is now conducting a securities business from offices at 9900 Woodley Street.

Robert Brand Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Robert Brand has opened offices at 232 North Canon Drive to engage in a securities business. He was formerly with Pacific Coast Securities Company.

Nat'l Secs. & Research Elects Officers

The board of directors of National Securities & Research Corporation has elected five new Vice-Presidents and five new resident Vice-Presidents to the corporation's executive staff, it was


Rufus L. Carter — Ira G. Jones


M. G. H. Kuechle — L. L. Moorman

announced by Henry J. Simonson Jr., Chairman and President. National Securities & Research Corp. sponsors and manages the National Securities Series of mutual funds with aggregate assets in excess of $300,000,000.

Moving up to the post of Vice-President from that of resident Vice-President are Rufus L. Carter, Ira G. Jones, M. G. H. Kuechle and L. L. Moorman. Walter J. J. Smith becomes a Vice-President after serving as district manager.

Elected resident Vice-Presidents are David T. Gillmor, Jr., I. Gardner Jones, Jr., John M. R. Morton, Jr., Philip C. Smith and George H. Mills. At the same time, John J. Osicki was named assistant treasurer of the corporation. He has been in the accounting department since 1945.

Mr. Carter is in charge of the Pacific Coast territory, which includes the States of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming and Hawaii. He has been with National Securities & Research since 1944.

Mr. Jones, with the corporation since 1943, is in charge of the Northeastern territory, covering the states of Connecticut, Maine, Massachusetts, Upper New York State, New Hampshire, Rhode Island, Vermont and Erie Pennsylvania.

Mr. Kuechle, with National since 1943, is in charge of the midwestern territory, covering Illinois, Kansas and Missouri; Mr. Moorman, with National since 1944, is in charge of the southern territory which covers Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee and Texas. Walter J. J. Smith is in charge of the Metropolitan New York City territory, which includes Northern New Jersey and Long Island. He has been with National since 1945.

Mr. Gillmor covers the Northern area of the Pacific Coast territory, California, (North of Fresno), Nevada, Oregon and Washington. He joined National in 1951; Mr. Jones, associated with National since 1951, covers the upper New York State and Erie, Pa. portions of the Northeastern territory; Mr. Morton, with National since 1951, covers portions of the Eastern territory, including Eastern Michigan (Detroit and Pontiac), District of Columbia, Pennsylvania and Virginia. Philip C. Smith joined National in 1953 and covers the Metropolitan New York City area, including Northern New Jersey and Long Island, and Mr. Mills, also with National since 1953, covers, Alabama, Florida, Georgia, North Carolina, South Carolina and Eastern Tennessee.

Personal Progress At Distributors

John L. Ahbe, Vice President and Director of Sales of Distributors Group, Inc. has been made a member of the Board of Directors of the Company, according to an announcement made by Herbert R. Anderson, President. Distributors Group is sponsor and investment adviser for Group Securities, Inc., one of America's oldest and largest mutual funds.

Mr. Ahbe, who is a resident of Summit, New Jersey, was formerly manager of the Florida offices of Harris, Upham & Co. and, earlier, headed his own investment firm in Palm Beach. He joined Distributors Group in 1954. Mr. Ahbe served in Military Intelligence in World War II. A Lieutenant Colonel in the U. S. Army Reserve, he attended Lafayette College in Easton, Pa.

Announcement also is made of the election of S. Chadwick Reed of Plainfield, New Jersey, as Vice-President of the firm. Mr. Reed, who joined the organization in February of this year as Director of Sales Development, is a graduate of Wesleyan University and Yale Law School and attended the Harvard Business School. He was formerly a member of the Economics Faculty of Yale and Rutgers Universities and also Special Correspondent for "The Economist" of London. During World War II he served as an Officer in the United States Naval Reserve. He is a Director of Economic Consultants, Princeton, New Jersey.

At the same time, it was announced that Robert D. Anderson has been made Associate Director of the firm's Sales Development. Mr. Anderson, who joined the Company in 1954, is a graduate of the Hotchkiss School, Lakeville, Conn., Hamilton College and the University of Michigan School of Business Administration. He was formerly with Kidder, Peabody & Co.

In Investment Business

(Special to The Financial Chronicle)

CONCORD, Calif. — Edward L. Nichols is now engaging in a securities business from offices at 3033 Willow Pass Road.

Railroad Securities

By GERALD D. McKEEVER

GREAT NORTHERN RAILWAY

Because last year was distinguished by new highs for both gross and net income of the Great Northern it may "take some doing" to make another breakthrough into new high ground again this year, particularly as to net income. For the first four months of the current year, however, the Great Northern surprised even some of the optimists, not so much in showing a 2.3% gain in gross as compared with the corresponding 1956 period in the face of a decline in carloadings of almost three times as much but, more particularly, in being one of the comparatively few carriers to show a healthy gain in net income. May brought a reversal, however, with a decline in gross due to lower lumber movement as well as of certain manufactured products. The decline in net was intensified, as in April, by increased tax accruals also. The combined effect was to reduce net income for the first five months of this year to $1.36 per share as against $1.41 for the corresponding 1956 period. Nevertheless, the Great Northern may well end up this year with net income not far away, one way or the other, from the all-time high of $5.32 per share made last year, and this is after giving full consideration to the 7-cent per hour further wage increase that will be in effect for the final two months of the current year and to the 3-cent per hour cost-of-living escalation that took effect on May 1. The 7-cent increase effective Nov. 1 is the second step in the 1956 wage settlement that has been concluded between all roads and most of the unions and which will run to Nov. 1, 1958 when another automatic 7-cent hourly wage hike is scheduled to become effective.

In the case of the Great Northern each cent per hour means about $600,000 on the annual wage bill so that the 1957 wage cost will be some $8.5 million more than for 1956 without making any allowance for the possibility of another "cost-of-living" adjustment again on Nov. 1. This increase in the wage bill amounts to $1.45 per share before Federal taxes which were accrued at the rate of 30.2% in 1956 but which will be at a somewhat higher rate this year for two reasons. One is that the 1956 figure was reduced by a $1.3 million non-recurring adjustment for an over-accrual in previous years. The other is the decline to 60 cents per share in the tax-deferment factor due to accelerated amortization which was 65 cents per share in 1956.

The wage increase burden will be cushioned, however, by the freight rate increases received last Dec. 28 and, to a much smaller extent, by the more recent passenger fare increases. It was stated in the road's 1956 report that the higher freight rates should yield about $11 million of additional freight revenues in 1957. This would represent an increase of something less than 4½%, whereas the 6% nominal increase of March 7, 1956 resulted in about a 5% increase for the Great Northern after "hold-downs," according to the road's 1956 report.

The results for the first five months of this year would have been less favorable for the Great Northern if it had not been for the continuation of the heavy movement of grain that was such an important factor in swelling the road's 1956 earnings. Grain is a long-haul item for the Great Northern whether it moves eastward or westward and this traffic amounted to 31.4% of 1956 freight revenues as against 12½% for iron ore with which the road is so generally associated. It was stated by the road about a month ago that grain shipments in the first four months of the current year were 20% above the total for the corresponding 1956 period. At the same time it was stated that a 10% increase in ore movement is expected for the full year as compared with 1956 which was adversely affected by the strike at the iron mines which completely shut down the shipment of iron ore from July 1 to Aug. 5 of last year.

As in 1956 the grain movement has been a substantial offset to the decline in lumber shipments which have suffered from the drop in residential construction. Also, grain traffic is less of a problem now that its movement has been made steadier as a result of price support via CCC loans and storage facilities. The less orderly marketing by often hard-pressed farmers in former times resulted in a heavy seasonal bulge in grain shipment in the late summer and autumn months and a greater dearth of traffic in the early months of the year. The result for the "granger" roads, and particularly for the Great Northern, was a low level of revenues and often "red ink" instead of net income for the early months of the year.

For instance, taking the average for the 1946-55 decade, the net operating income of the Great Northern for the first four months of the year amounted to only about 4¾% of the year's total, but the corresponding ratio for 1956 was almost 14%. While this is largely ascribed to the "ironing out" of the grain movement cycle, it is also due in no small part to progressively better traffic diversification, much of which has resulted from greatly stepped-up oil activity in the Williston Basin. While the Great Northern owns no oil lands here or elsewhere, it does benefit trafficwise from the increase in operations in this area. The Great Northern serves particularly the prolific Tioga and East Poplar fields into which there has been heavy movement of construction and pipeline materials and, until pipelines have been completed, one after the other, the Great Northern has enjoyed outbound traffic in the rail movement of crude and its products.

This latter traffic is essentially temporary since rail movement is high cost compared with pipeline. It is thus typical of the forward-looking management of the Great Northern that they have announced plans to consider the construction of a pipeline from the Williston Basin to Lake Superior ports via the Twin Cities inasmuch as the production of the Williston Basin is now showing signs of exceeding local refining capacity. Since a pipeline to the eastern markets to handle this new production is certain to be built by one concern or another as soon as traffic builds up to an economical level, the Great Northern, if it builds the pipeline, can pick up business that would not be long-term rail traffic in any case. As in the case of the Southern Pacific, the first of the rails to go into the pipeline business, the pipeline is not in competition with the railroad. Over the longer run the traffic would be lost to the rails anyway.

Additional traffic diversification has come from industrialization along the lines of the Great Northern, from power and irrigation dam construction and from the construction of SAC Air Bases. In 1956 alone 206 new industries were located on the lines of the Great Northern and three large jet air bases are still under construction in North Dakota and eastern Montana. One of these is just north of the road's new Gavin Yard at Minot, N. D., which, incidentally, is one of the most modern of the electronic or "push-button" classification yards. Last January the ICC approved the construction of a 16-mile extension of the road's main line to serve this air base which is expected to be a substantial traffic tributary.

The net of all this is that the Great Northern is a growth road, its 1956 revenue index of 135 (based on the 1947-49 average as 100) topping the list of major Class I roads with the exception of the three Pocahontas roads which have been riding the crest of the export coal wave. Even so, the Great Northern was a close rival of the Chesapeake & Ohio whose 1956 revenue index was 136, or only one notch higher.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 16	§88.2	*87.5	84.2	93.4
Equivalent to—					
Steel ingots and castings (net tons)	June 16	§2,257,000	*2,240,000	2,155,000	2,299,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 31	7,418,450	7,457,350	7,529,450	7,037,050
Crude runs to stills—daily average (bbls.)	May 31	¶8,132,000	7,910,000	7,633,000	8,072,000
Gasoline output (bbls.)	May 31	27,476,000	27,102,000	26,214,000	27,218,000
Kerosene output (bbls.)	May 31	2,119,000	1,878,000	2,048,000	1,978,000
Distillate fuel oil output (bbls.)	May 31	13,055,000	12,592,000	12,264,000	12,580,000
Residual fuel oil output (bbls.)	May 31	8,003,000	7,584,000	7,952,000	8,319,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 31	195,285,000	194,373,000	198,332,000	184,870,000
Kerosene (bbls.) at	May 31	25,020,000	23,935,000	21,165,000	21,879,000
Distillate fuel oil (bbls.) at	May 31	96,881,000	91,532,000	79,119,000	77,399,000
Residual fuel oil (bbls.) at	May 31	40,067,000	39,791,000	37,571,000	35,836,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 1	671,785	722,903	718,924	719,209
Revenue freight received from connections (no. of cars)	June 1	590,672	617,829	610,677	631,310
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 6	$442,699,000	$298,907,000	$385,205,000	$250,213,000
Private construction	June 6	233,529,000	100,712,000	211,609,000	116,022,000
Public construction	June 6	209,170,000	198,195,000	173,596,000	134,191,000
State and municipal	June 6	186,655,000	171,613,000	140,395,000	105,466,000
Federal	June 6	22,515,000	26,582,000	33,201,000	28,725,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 1	8,900,000	*9,565,000	9,570,000	8,552,000
Pennsylvania anthracite (tons)	June 1	545,000	487,000	499,000	398,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 1	110	116	133	109
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 8	11,550,000	10,936,000	11,311,000	10,951,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 6	289	225	267	257
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 4	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	June 4	$64.56	$64.56	$64.56	$60.29
Scrap steel (per gross ton)	June 4	$50.83	$47.50	$44.17	$45.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 5	31.525c	31.309c	31.475c	44.300c
Export refinery at	June 5	29.300c	28.975c	29.950c	43.300c
Lead (New York) at	June 5	15.000c	15.000c	16.000c	16.000c
Lead (St. Louis) at	June 5	14.800c	14.800c	15.800c	15.800c
‡Zinc (delivered) at	June 5	11.500c	12.000c	14.000c	14.000c
Zinc (East St. Louis) at	June 5	11.000c	11.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	June 5	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	June 5	98.500c	98.500c	99.125c	95.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 11	88.21	88.02	89.90	95.35
Average corporate	June 11	94.12	94.71	95.92	104.83
Aaa	June 11	97.94	99.04	100.09	108.34
Aa	June 11	96.69	97.78	98.73	106.74
A	June 11	95.01	95.32	96.23	104.31
Baa	June 11	87.18	87.59	88.67	100.00
Railroad Group	June 11	92.35	93.08	93.97	103.13
Public Utilities Group	June 11	95.47	95.92	96.54	105.17
Industrials Group	June 11	94.26	95.32	97.00	106.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 11	3.50	3.52	3.35	2.85
Average corporate	June 11	4.13	4.09	4.01	3.46
Aaa	June 11	3.88	3.81	3.72	3.26
Aa	June 11	3.96	3.89	3.83	3.35
A	June 11	4.07	4.05	3.99	3.49
Baa	June 11	4.62	4.59	4.51	3.75
Railroad Group	June 11	4.25	4.20	4.14	3.56
Public Utilities Group	June 11	4.04	4.01	3.97	3.44
Industrials Group	June 11	4.12	4.05	3.94	3.39
MOODY'S COMMODITY INDEX	June 11	426.3	421.9	409.2	413.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 1	261,409	242,783	381,000	344,224
Production (tons)	June 1	261,684	282,388	272,124	272,725
Percentage of activity	June 1	88	95	93	91
Unfilled orders (tons) at end of period	June 1	384.116	382,666	493,679	557,881
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 7	110.20	110.24	110.44	108.70
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 18	1,700,920	1,632,010	1,081,760	1,584,860
Short sales	May 18	323,020	305,700	176,290	277,520
Other sales	May 18	1,457,520	1,268,910	963,230	1,297,320
Total sales	May 18	1,780,540	1,574,610	1,139,520	1,574,840
Other transactions initiated on the floor—					
Total purchases	May 18	389,580	344,600	264,870	302,120
Short sales	May 18	23,000	23,500	10,380	24,450
Other sales	May 18	376,960	360,350	258,890	328,390
Total sales	May 18	399,960	383,850	269,270	352,840
Other transactions initiated off the floor—					
Total purchases	May 18	658,420	597,183	425,430	650,685
Short sales	May 18	132,590	141,720	78,490	68,990
Other sales	May 18	584,170	509,176	520,319	612,253
Total sales	May 18	716,760	650,896	598,809	681,243
Total round-lot transactions for account of members—					
Total purchases	May 18	2,748,920	2,573,793	1,772,060	2,537,665
Short sales	May 18	478,610	470,920	265,160	370,960
Other sales	May 18	2,418,650	2,138,436	1,742,439	2,237,963
Total sales	May 18	2,897,260	2,609,356	2,007,599	2,608,923
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	May 18	1,424,509	1,342,810	1,001,859	1,271,103
Dollar value	May 18	$76,726,917	$67,158,913	$48,716,705	$66,962,066
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 18	1,313,262	1,190,651	855,325	1,012,969
Customers' short sales	May 18	14,739	11,568	7,562	4,009
Customers' other sales	May 18	1,298,523	1,179,083	847,763	1,008,960
Dollar value	May 18	$67,472,968	$57,962,814	$41,380,676	$52,224,287
Round-lot sales by dealers—					
Number of shares—Total sales	May 18	374,080	323,530	213,150	245,680
Short sales	May 18	------	------	------	------
Other sales	May 18	374,080	323,530	213,150	245,680
Round-lot purchases by dealers—					
Number of shares	May 18	487,490	486,470	369,720	534,490
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	May 18	575,790	560,170	382,770	445,400
Other sales	May 18	13,034,650	11,919,650	8,664,580	11,309,940
Total sales	May 18	13,610,440	12,479,820	9,047,350	11,755,340
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 4	117.5	117.2	117.2	114.2
Farm products	June 4	90.8	89.9	90.2	91.4
Processed foods	June 4	106.5	105.3	104.4	102.9
Meats	June 4	95.7	91.6	88.6	82.9
All commodities other than farm and foods	June 4	125.3	125.2	125.4	121.4

*Revised figure. ¶Includes 1,024,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of February	119,059	147,029	132,763
Stocks of aluminum (short tons) end of Feb.	166,324	145,131	17,074
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of April	9,814,000	*10,589,874	10,523,785
Shipments of steel products (net tons)—Month of March	7,821,616	7,066,732	8,255,824
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (barrels of 42 gallons each)	238,815,000	257,515,000	232,449,000
Domestic crude oil output (barrels)	215,099,000	231,880,000	209,027,000
Natural gasoline output (barrels)	23,682,000	25,611,000	23,382,000
Benzol output (barrels)	34,000	24,000	40,000
Crude oil imports (barrels)	21,852,000	24,941,000	24,584,000
Refined products imports (barrels)	18,196,000	19,243,000	16,618,000
Indicated consumption domestic and export (barrels)	291,391,000	*353,533,000	281,707,000
Decrease all stocks (barrels)	12,528,000	*51,834,000	8,056,000
AMERICAN RAILWAY CAR INSTITUTE—Month of April:			
Orders for new freight cars	6,429	5,359	6,559
New freight cars delivered	8,961	9,772	5,943
Backlog of cars on order and undelivered (end of month)	105,190	107,708	137,436
ASSOCIATION OF AMERICAN RAILROADS—Month of April:			
Locomotive units installed in service	114	133	136
New locomotive units on order (end of month)	693	747	938
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of April (in thousands)	$192,492,000	$197,024,000	$176,760,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of March (millions of dollars):			
Manufacturing	$52,200	*$51,900	$47,400
Wholesale	13,100	13,100	12,600
Retail	23,700	23,900	23,800
Total	$89,000	$88,900	$83,800
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of May (000's omitted):			
Total U. S. construction	$1,856,731	$1,460,119	$2,119,770
Private construction	803,194	731,781	1,287,524
Public construction	1,053,537	728,338	832,246
State and municipal	712,252	543,762	639,653
Federal	341,285	184,576	192,593
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	42,110,000	42,750,000	40,104,000
Pennsylvania anthracite (net tons)	2,062,000	1,750,000	2,233,000
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	6,895,073	6,211,845	6,898,602
Oven coke (net tons)	6,632,614	5,965,912	6,625,374
Beehive coke (net tons)	262,459	*245,933	273,228
Oven coke stock at end of month (net tons)	2,109,626	*2,015,104	1,673,648
COPPER INSTITUTE—For month of April:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	110,016	*106,718	172,358
Refined (tons of 2,000 pounds)	144,013	143,961	143,330
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	116,716	113,571	143,049
Refined copper stocks at end of period (tons of 2,000 pounds)	139,842	140,191	56,731
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of April	807,979	690,627	722,551
In consuming establishment as of May 4	1,515,629	1,654,221	1,588,323
In public storage as of May 4	11,894,888	13,099,426	14,684,667
Linters—Consumed month of April	104,334	118,395	152,112
Stocks May 4	966,626	985,087	1,370,663
Cotton spindles active as of May 4	18,365,000	18,457,000	19,290,000
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of April:			
Adjusted for seasonal variations	122	*127	122
Without seasonal adjustment	122	*106	113
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of April:			
Sales (average monthly), unadjusted	111	100	*96
Sales (average daily), unadjusted	109	98	*98
Sales (average daily), seasonally adjusted	109	115	*106
Stocks, unadjusted	138	*134	130
Stocks, seasonally adjusted	131	*131	124
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of March (000,000's omitted):			
Ordinary	$3,857	$3,161	$2,993
Industrial	549	495	571
Group	1,118	1,242	1,025
Total	$5,524	$4,898	$4,589
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of March (million of dollars):			
Inventories—			
Durables	$30,378	*$30,190	$27,432
Nondurables	21,861	*21,713	20,001
Total	$52,239	*$51,903	$47,433
Sales	28,933	*29,130	27,095
METAL OUTPUT (BUREAU OF MINES)—Month of February:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	119,472	*133,271	131,284
Silver (in fine ounces)	2,977,765	*3,188,881	3,012,601
Copper (in short tons)	89,667	*93,210	89,371
Lead (in short tons)	28,403	*30,229	28,250
Zinc (in short tons)	45,069	*45,186	42,671
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of April:			
Total number of vehicles	654,851	668,730	654,333
Number of passenger cars	549,744	579,105	552,881
Number of motor trucks	104,633	89,169	101,081
Number of motor coaches	474	456	371
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICA RRs.)—Month of March:			
Total operating revenues	$903,612,499	$815,462,206	$888,984,912
Total operating expenses	690,143,852	643,339,479	678,443,510
Operating ratio	76.38	78.89	76.32
Taxes	$100,351,351	$84,423,267	$99,941,479
Net railway operating income before charges	89,857,313	65,734,214	88,976,189
Net income after charges (estimated)	71,000,000	47,000,000	70,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of March:			
Production (short tons)	16,939	15,003	17,465
Shipments (short tons)	15,451	14,711	13,487
Stocks at end of month (short tons)	29,877	28,389	24,212

Our Reporter's Report

Several corporate offerings brought to market this week appeared to be fairly well received. But this was not taken generally as any indication that the market was out of the woods.

On the contrary, market observers reported that demand continues to lag and that there is nothing to suggest any early change in the attitude of investors with funds to put to work.

New corporate offerings now are affording yields that should be attracting individual investors as well as institutions with funds to place. But there is no rushing of the ramparts from either direction, although it marks the first time in about a generation that individuals have had such opportunities.

Bond men, or at least some of them, are convinced that people in greater numbers are absorbing the many articles appearing in periodicals outlining how the purchasing power of the dollar has behaved over extended periods of time.

These observers reason that this element, looking ahead some years, and endeavoring to figure how to maintain the buying power of their savings, are shying away from the fixed returns offered by mortgages, bonds and savings deposits.

Meantime, it is indicated that while some new issues, in fact the majority, have been laggard in moving out to investors they have not been accumulating on dealers' shelves in any disturbing volume since sponsoring groups evidently are not waiting too long before cutting such issues loose from syndicate.

A Fast Mover

Preliminary inquiry around for the debentures being marketed for Consolidated Natural Gas Co., indicated a "sell-out" for that issue, the first one in a while.

Bankers paid the company a price of 100.1599 for a 4⅞% coupon and proceeded to reprice the issue for public offering at 101.085 to yield 4.80%.

Of course a factor in favor of those participating in the marketing of this issue was the 25-year maturity which took it out of competition with much of the other recent run of offerings.

Meanwhile, Commercial Credit's $75 million of 20-year notes appeared to be moving well, though not an "out-the-window" proposition even though it carried a 10-year non-callable clause for protection of buyers against sudden redemption.

Rejecting the Bids

Well, it finally got around to the railroads again and New York Central took time out to turn down bids received for its offering of $6,450,000 of equipment trust certificates.

Bankers offered the road a top price of 98.757 for a 5.5% coupon date, with a second bid of 98.6816 being tendered. The top bidders planned to reoffer at prices to yield from 4.75% to 5.50% according to maturity.

But the road, as it had done three years ago, threw out the bids. On the earlier occasion it sold the certificates to The Dispatch Co., its rail car manufacturing unit as 4s. That company subsequently disposed of them at an even more costly level than had originally been proposed.

IBM Offer Successful

Maybe you can't sell debt securities quickly these days. But equities appear to move out to investors with considerable celerity. Naturally the strong undertone in the stock market, with industrials in new high ground, serves as a stiffening backdrop.

International Business Machine Corp's offering of 1,055,223 shares of stock to shareholders at $220 a share in the ratio of one new share for each 10 held, was 99.8% taken.

Bankers who underwrote the offering made several "lay-aways" during the course of the offering which naturally helped to bring the project to a successful conclusion.

An Unconvincing Retort

"It might be better for some of these people that are complaining so bitterly (about the President's budget) to look up the actual facts instead of merely listening to partisan speeches.

"And some of the facts that would be interesting is what would be the budget today if it followed the projection that was here in 1953, or what would be the budget if we had followed and adopted some of the programs presented by the opposition in the last two or three years affecting roads and schools and a number of other things that involved a lot of money.

Pres. Eisenhower

"I have no particular appeal of my own to make to these people, except to read the facts, understand what is going on, why we need a lot of money for this Government, and what are they going to do about it."—President Dwight D. Eisenhower.

This seems to us to be a woefully weak defense, not so much of current budget estimates as those policies and programs which make large expenditures inevitable.

Joins Smith, La Hue

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Carl J. Fuchs has joined the staff of Smith, La Hue & Co., Pioneer Building.

M. P. Giessing Adds

(Special to The Financial Chronicle)

FARMINGTON, Mo. — Thomas A. David has been added to the staff of M. P. Giessing & Co., 108 North Jefferson Street.

With Merrill Lynch

(Special to The Financial Chronicle)

CINCINNATI, Ohio — John E. Schmidt is with Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

Eddy Adds to Staff

(Special to The Financial Chronicle)

HARTFORD, Conn.—George T. Colt, Mark H. Klein and Mrs. Maybelle C. Shepard have been added to the staff of Eddy & Co., 33 Lewis Street, members of the New York and Boston Stock Exchanges.

Joins G. H. Walker

(Special to The Financial Chronicle)

HARTFORD, Conn.—Hartvig T. Johnson Jr. has joined the staff of G. H. Walker & Co., 111 Pearl Street.

With Sheffield Co.

(Special to The Financial Chronicle)

NEW LONDON, Conn.—John J. Moran is now affiliated with Sheffield & Company, 325 State Street.

R. F. Griggs Adds

(Special to The Financial Chronicle)

WATERBURY, Conn.—Richard F. Wheeler has been added to the staff of The R. F. Griggs Company, 35 Leavenworth Street.

Rejoins Johnson-Tillman

(Special to The Financial Chronicle)

LAKE WALES, Fla.—Lovic W. Livingston has rejoined the staff of Johnson-Tillman Investments, Orange and Market Streets. Mr. Livingston has recently been with Bache & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—An enormous job lies ahead in the greatest construction the world ever has known. This is provided under the Federal Aid Highway Act of 1956. There has never been a building program to rival it.

The Senate Public Works Subcommittee on roads has recommended to the full committee that the 41,000-mile interstate system be increased by 7,000 miles. Total cost of the interstate system alone would be increased from $27 billion to $44 billion and possibly $50 billion.

However, Congress is not likely to expand the program until it is further along. There is opposition among leaders of both major political parties and in the executive branch of the government to expand the epoch-making program at this time. By terms of the present act, the grand total of Federal and state money to be spent on all Federal-aid roads will involve an estimated $50 billion during the 13-year period. To complete all work and links is expected to take up to 15 years.

The super interstate is scheduled to connect 209 cities (all cities with a population of 50,000 or more), 42 of the state capitals and all 48 states. The multi-laned, divided highways will have only controlled access roads, which means there will be no cross roads or intersections.

Gaining Momentum

The Bureau of Public Roads says that construction is gaining momentum in all regions of the country, with only a handful of states lagging. The states are putting up 10% of the interstate costs. A few of the states are encountering difficulties in obtaining right-of-ways. Land prices in rural areas and in the towns and cities in practically all states have risen and are likely to increase from 10 to 20% in the immediate years ahead.

An estimated 90,000,000 motor vehicles will be using the highways and streets by 1975 as compared with the 65,000,000 now in use.

While the interstate system will include only about 1.2% of the nation's total road and street mileage when completed, it will carry 20% of all the traffic over the four, six, eight and 10 lanes. Eight and 10 lanes will be built in a few of the big metropolitan areas.

The multi-laned interstate system, according to new estimates presented to Congress, is going to take an additional 1,500,000 acres of land. The acreage will be equal to the land area for 51 cities the size of San Francisco, Senator Arthur V. Watkins, Republican of Utah, said.

Passenger Deficit Study

Passenger trains have failed to show a profit in the U. S. since the 1942-45 World War II gasoline and tire rationing period. The books show that they have lost several billion dollars since 1945.

As a result the Interstate Commerce Commission is preparing to inaugurate a passenger train operating deficit investigation with the hope of coming up with some answers to the complex situation. An ICC examiner will start the hearings on June 18. Some 15 phases of deficit operation are to be investigated.

The class I line railroads rolled up a staggering deficit of $696,900,000 in 1956, the second highest on record and the biggest since 1953 when the deficit was listed at $704,500,000.

Whether or not the ICC can come up with an answer to the question whether the railroads would be better or worse off financially if they abandoned all passenger service, is problematical.

The ICC records show that the railroads are spending many millions of dollars for new and lightweight equipment in an effort to improve service. The heavier equipment being replaced is more expensive to operate.

The air lines are hurting the rail passenger business. The Civil Aeronautics Administration predicts that by 1970 there will be 118,000,000 passengers flying U. S. domestic lines compared with 42,000,000 in 1956.

The ICC's new "transport economics" report listed a comparison of the passenger and freight financial results of 37 railroads for 1956. Only the Long Island railroad chalked a passenger service profit.

Wait Till Next Year

There are many people who feel that Congress passes far too many laws for the overall good of the country. The present session of Congress, which is likely to end in early August, has been a slow one as far as new enactments are concerned.

Capitol Hill observers predict that the 1958 session is shaping up for a livelier session. Next year is election year when all members of the House and one-third of the Senate seats are to be filled. Both the Republicans and Democrats are favoring a tax cut. Any tax reduction legislation appears unlikely to be enacted into law until 1958.

Meantime, the economy of the country continues strong. Commerce Department reports indicate that 1957 is going to be a better year than 1956. Estimates are being revised all along the line pertaining to goods and services.

Civil public works in the Federal Government, exclusive of the vast highway program for the new fiscal year starting July 1, is expected to exceed $1,750,000,000. This would compare with estimated expenditures for 1957 of $1,466,000,000. Civil public works spending for fiscal 1956 was $1,054,000,000.

Newsprint Crisis Impends

The spokesman for the American Newspaper Publishers' Association, representing 800 daily newspapers, told a Congressional committee that another great newsprint shortage may appear on the horizon despite the expansion taking place in both the United States and Canada.

Cranston Williams, General Manager of the trade association, declared that 90% of all newsprint now being produced is under contract. North American capacity by the end of 1959 will be increased by 730,000 tons from Canada and 665,000 tons in the United States. The 1,395,000 tons added to the expansion now taking place and the 1957 capacity, would bring total production by 1960 to 10,072,000 tons. Mr. Williams said ANPA studies indicate that the demand in 1960 in North America will increase to 9,500,000 tons or more.

The trade organization official declared that newsprint is increasing all over the world, including the countries within the sphere of the Iron Curtain. He said he would not be surprised if the United States is faced with another acute newsprint shortage in the coming years because of the growing demand for paper. He urged the House Interstate Commerce Committee to give thought and study toward opening up some of the vast public acreage in the Western States to private industry for pulpwood.

Approximately 80% of the newsprint consumed in the United States is imported from Canada. International Paper Company is the world's largest newsprint manufacturer. In addition to its Canadian production, International is now making newsprint at Mobile, Ala., and plans to put a machine in production at Pine Bluff, Ark., later this year.

TVA Hearings

Hearings have been held by both the Senate and House Public Works committees on bills that would authorize the Tennessee Valley Authority to issue bonds to provide for additional power capacity to keep up with the growth of the area.

It currently appears that the Senate and House bills may not get beyond the committee stage this session. Under the Davis-Jones bill pending in the House, revenue bonds are proposed. The sponsors, who say the normal growth of the Tennessee Valley Authority is 10% a year, declare the bonds would be self-supporting.

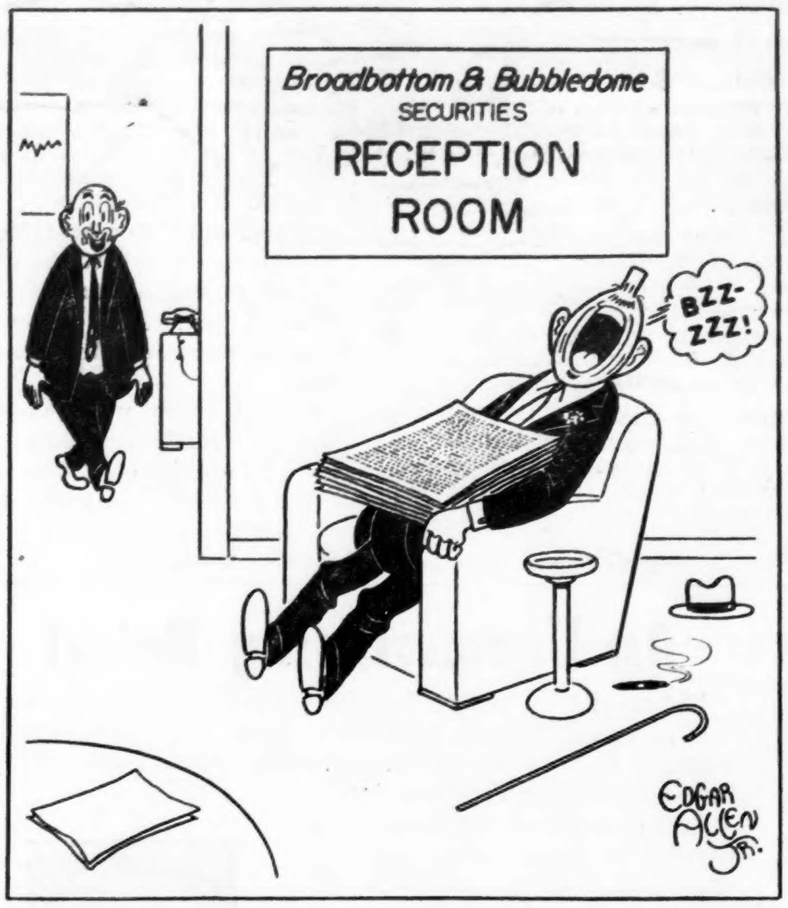
TVA presently owes the Federal Government more than $1,200,000,000.

Self-Employed Pensions

Qualified observers on Capitol Hill agree there is no chance of approval this session of pending proposals designed to encourage voluntary pension plans by self-employed individuals. Measures are pending before the House Ways and Means Committee. By terms of the bills self-employed individuals would be allowed a deduction for income tax purposes for amounts set aside for retirement. Annual deduction could not exceed 10% of self-employment income.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"Our prospectus stir you up any, Mr. Soupnoodle?"

Two With Daniel Reeves

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Jack Durbin and John Karony have become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges.

Business Man's Bookshelf

American Bureau of Metal Statistics 36th Annual Year Book for 1956—American Bureau of Metal Statistics, 50 Broadway, New York 4, N. Y. $3.00.

Basic Facts About the Carpet and Rug Industry—1957 Edition—Carpet Institute, Inc., Empire State Building, New York 1, N. Y.—(paper).

Benjamin Franklin's Unfinished Business—Edited by Helen and Clarence Jordan—Franklin Institute, 20th and The Parkway, Philadelphia 3, Pa. (cloth) $4.00.

Chemical Specialties Manufacturers Association—Proceedings of the 43rd annual meeting—Chemical Specialties Manufacturers Association, Inc., 50 East 41st Street, New York 17, N. Y.—$7.50.

Health Insurance — Origin, Objectives, Operations — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper) on request.

International Air Transport Association Regulations Relating to the Carriage of Restricted Articles by Air—Revised edition—IATA Head Office, 1060 University Street, Montreal, Canada, $3.50.

Italian Navy in World War II—Commander Marc'Antonio Bragadin, with a foreword by Admiral Robert B. Carney, USN (Ret.) — Naval Institute, Annapolis, Md. $5.75.

National Industrial Research Conference — Proceedings of the 1957 conference — Armour Research Foundation of Illinois Institute of Technology, 10 West 35th Street, Chicago 16, Ill. $6.00.

Open Letter to College Graduates of 1957—Discussion by Secretary of Labor James P. Mitchell of employment opportunities — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., on request.

Retailing — Spring 1957 issue of Journal of Retailing containing articles on Revitalization of New York; Retail Labor Costs; Resale Price Maintenance; Crisis in Retailing; Skills of Creative Leadership; Retail Selling Can and Should be Improved; Honor Roll in Retailing — New York University School of Retailing, Washington Square Center, New York 3, N. Y. (paper) $3.50 per year.

Story of Taxes—E. I. du Pont de Nemours & Co., Inc., Wilmington 98, Del.